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ECONOMICS OF THE  
WHOLESALE AND  
RETAIL TRADE



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# ECONOMICS OF THE WHOLESALE AND RETAIL TRADE

BY

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## PREFACE

IN a previous volume in this series an introductory analysis was made of the principal operations involved in the establishment and conduct of a business undertaking. In the present volume an attempt has been made to apply these principles to the study of the typical forms of business enterprise engaged in the wholesale and retail trades. These units are studied in order of increasing complexity—from the itinerant trader on the one hand to the ramifications of the business of the manufacturer on the other. Throughout this study it has been the object to emphasize the essential features of the economic unit under observation, and to show how it is the product of its economic environment. Each class of enterprise examined has certain characteristics which serve to differentiate it from others, and these characteristics, so far from being the product of blind chance, are the result of a process of evolution which has created them in response to a definite economic stimulus.

At this stage of his studies it is, perhaps, necessary to warn the student of Business Economics against the spirit of dogmatism. He must always remember that there is scope within the economic system for an infinite variety of forms of organization. Hence, when certain types of enterprise are enumerated as being characteristic of a particular sphere of business activity, it should be remembered that they are *general types only*, and that every concern engaged in that line of business is not necessarily cast in the same mould. Thus the statement that a manufacturing concern does not usually retail its products direct to the consumer is merely a statement of a general tendency, and must not be construed into an iron law. Yet, whilst bearing this point in mind, the student should also cultivate the faculty of generalization, so that he is not confused by differences in detail and thereby led to miss basic similarities of general principles.

The work has been designed to cover the requirements of the Intermediate and Final Examinations in Commerce of the Union of Lancashire and Cheshire Institutes, the Royal Society of Arts, the London Chamber of Commerce, the National Union of Teachers,

the Faculty of Teachers in Commerce, and also the syllabus in Business Economics of the Northern Counties Technical Examinations Council.

In conclusion, I should like to express my sincere thanks to Mr. G. R. Wright for information contained in Chapters VII and VIII, and also to Mr. Noel Branton who assisted me throughout the preparation of the work.

JAMES STEPHENSON.

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# ECONOMICS OF THE WHOLESALE AND RETAIL TRADE

## SECTION I ECONOMICS OF THE RETAIL TRADE

### CHAPTER I

#### INTRODUCTION

THE function of the trader is the mediation of the exchange of goods between the producer and the consumer. Only a small fraction of mankind is engaged in producing directly by their own hands the goods required for their maintenance. Even these as a rule produce a part only of what they require. The farmer by means of his agricultural labour is able to feed and also partly clothe himself; he lacks, however, at least such things as coal and agricultural implements. Likewise the miner and the industrial worker produce for themselves one or other of the articles which they daily require, but they have to purchase by far the major part such as food, clothing, and shelter. Many people are dependent entirely upon this method of procuring commodities. The purchase of goods can seldom be made at the seat of production itself, for the places of production do not coincide with the places of consumption. Frequently, the seat of production and that of consumption are very far removed from each other. Moreover, the period of production, that is, of the supply of the goods, fails to synchronize with that of the demand. It is the trader's function to surmount these hindrances of persons, place, and time in the exchange of goods. This he does by forming a bridge between the persons engaged in production and those who participate in consumption.

An undertaking which is engaged in this form of mediation with the object of making a profit is described as a trader's business. The economic function of such an undertaking is to buy goods in

places where they are extracted or manufactured, and to direct or resell them to places where they are required for consumption. This sale takes place at a price in excess of that for which they were purchased, and the difference between the two constitutes the trader's *profit*.

The meaning of trade may, of course, be conceived in a wider sense than this. The extractive producer (e.g. the farmer) must find a market for his produce, whilst, on the other hand, the manufacturer must procure a suitable source of supply for his raw and partly-finished goods, and must also find an outlet for his manufactures. Such activities are also described as trade in a wider sense, for the economic consideration and arrangements necessary for its conduct are similar to those of the trader's business proper. In order to draw a distinction between the two, we speak of a *producer's trade*, and according to the character of the place of production—manufacturing or domestic trade; in the manufacturing trade the materials required are first submitted to certain treatment, and are then sold as an entirely new product. The trading concern proper, however, confines itself simply to the resale of the commodities bought without changing them in any way—apart, perhaps, from such processes as cleaning, mixing, or repacking.

In the following pages we shall confine ourselves to a consideration of the trader's business proper which may be divided up into a number of different branches. According to the Census of England and Wales, 1921, the number of persons engaged in the various branches of Trade are as follows—

#### PERSONS ENGAGED IN TRADE

Proprietors, Managing Directors, Managers of Wholesale or Retail Businesses . . . . .	421,740
Brokers, Agents, Factors (not elsewhere enumerated) . . . . .	30,771
Buyers (not elsewhere enumerated) . . . . .	12,360
Commercial Travellers . . . . .	81,347
Canvassers (not Dock, Insurance or Railway) . . . . .	4,300
Salesmen and Shop Assistants . . . . .	313,691
Roundsmen and Van Salesmen . . . . .	32,280
Costermongers and Hawkers . . . . .	44,235
Newspaper Sellers . . . . .	7,623
Advertising Agents . . . . .	5,062
Other Commercial Occupations . . . . .	14,027

**WHOLESALE AND RETAIL TRADE.** A feature of the present day is the progressive division of labour, not only within the different countries but throughout the whole world. The surmounting of the hindrances of persons, place, and time, which divide the producer from the consumer, is connected with such great difficulties that a single trader can no longer perform this task and, in consequence, several intermediaries—usually at least two—wedge themselves in between the producer and the consumer. A trader buys the goods in large quantities from the producer; he warehouses them and resells them in smaller quantities to another trader who, in turn, resells them to the ultimate consumer.

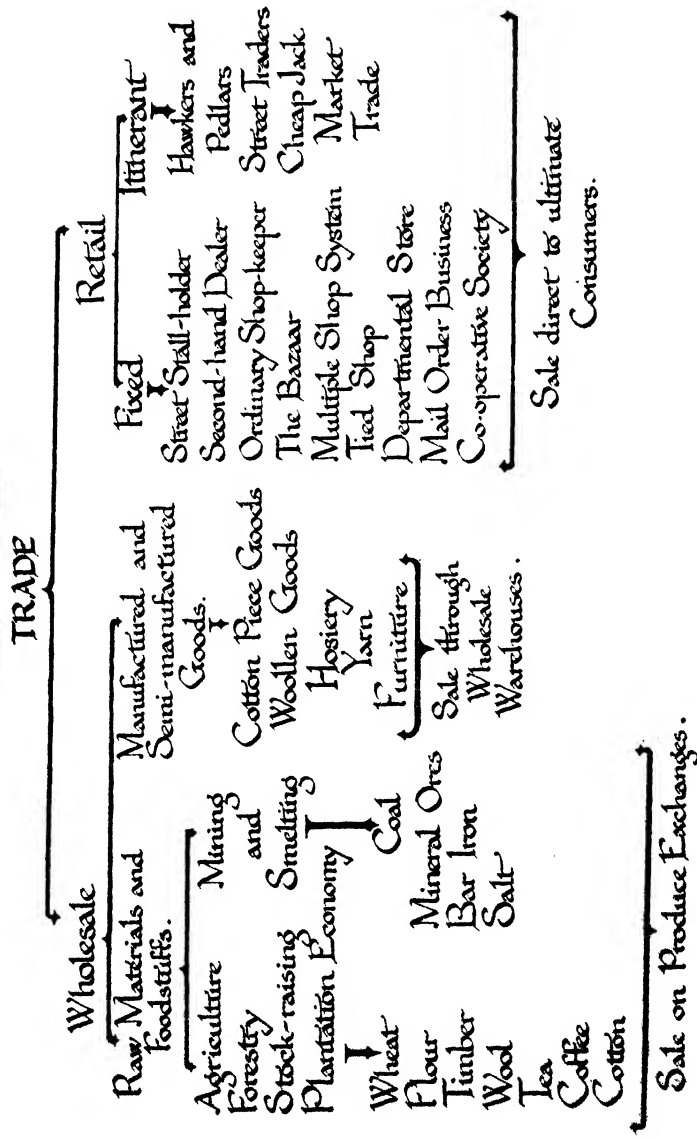
The activity of the first trader is described as *wholesale trade*. He acquires the goods from the producer or even from another wholesaler, and disposes of them to another professional trader. The wholesaler assembles the products of the various producers, i.e. he carries on a *collecting trade*. The second trader carries on the retail trade. He acquires the goods as a rule from the wholesaler, and resells them to the final consumer. From the nature of his activity, the retailer may be said to be engaged in the *distributing trade*.

There are essential differences between the conduct of a wholesale and of a retail business in regard both to the purchase and the sale of goods. In the retail trade buying is of a much more speculative nature than in the wholesale trade owing to the lack of control over the turnover; whilst in the two cases there is also an entirely different circle of customers. Moreover, the attitude of the collecting wholesaler who deals directly with the producer must of necessity differ entirely from that of the distributing retailer who supplies the ultimate consumer with the commodities he requires. The wholesaler devotes his constant attention to the quantity and quality of the output, and keeps in the closest touch with the suppliers in order to meet any demand which might arise.

By the punctual fulfilment of his obligations he endeavours to enlist the confidence of his customers, and may even assist the producer by placing capital at his disposal. On the other hand, the retailer has to direct his attention rather in the direction of consumption; he must strive to arrange his stock in such a way that he can always meet the requirements and wishes of his customers.

Hence the technique of these two forms of trade is quite different. The wholesaler employs totally different methods in the

# FORMS OF TRADE AND THEIR CLASSIFICATION



purchase and sale of his goods from those of the retailer. The various methods of payment and of the dispatch of goods—in short—of the whole course of business procedure is of far greater importance to the wholesaler than to the retailer. In many cases the latter is but little versed in these matters, and thus relies upon the wholesaler who is more familiar with him. A separate treatment of the retail as distinct from the wholesale trade is, therefore, justifiable, and an attempt to treat them separately will be made in the following pages.

### CLASSIFICATION OF TRADERS ACCORDING TO COMMODITIES

(Census of England and Wales, 1921)

	Males	Females		Males	Females
Dealers in Horses .	3,436	140	Dealers in Building Materials .	12,650	1,835
Dealers in Cattle and other Live Stock .	4,797	126	Dealers in Glassware and Pottery .	5,501	3,777
Dealers in Grain and Forage .	25,169	3,873	Dealers in Drugs and Druggist Sundries .		
Dealers in Coal .	67,799	4,938	Wholesale .	6,321	3,934
Dealers in Stone and Slate .	2,136	203	Retail .	29,347	14,687
Dealers in Bread and Pastry .	321	271	Dealers in Dry Sal- try, Oils and Col- ours—		
Dealers in Sugar			Wholesale .	23,070	4,488
Confectionery—			Retail .	5,313	1,279
Wholesale .	2,617	764	Dealers in Metals, Metal Goods and Tools—		
Retail .	12,350	28,546	Wholesale .	25,143	5,276
Dealers in Tea and Coffee .	7,862	4,144	Retail .	33,390	9,913
Dealers in Grocery and Provisions—			Dealers in Cycles and Motors .	14,311	2,686
Wholesale .	27,411	8,812	Dealers in Other Vehicles .	268	218
Retail .	145,592	78,649	Dealers in Precious Metals, Jewellery, Watches and Clocks .	15,742	7,016
Dealers in Milk and Dairy Produce—			Dealers in Textiles and Clothing (Wholesale) .	72,244	19,511
Wholesale .	3,896	947	Dealers in Drapery, Hosiery, Haberdashery—		
Retail .	42,296	13,166	Hats and Millin- ery—Retail .	85,542	165,316
Dealers in Meat—			Dealers in Boots and Shoes—		
Wholesale .	8,449	772	Wholesale .	2,346	596
Retail .	95,147	15,265	Retail .	32,223	16,423
Dealers in Fish and Poultry—			Dealers in Skins and Leather .	9,258	1,902
Wholesale .	10,839	846	Dealers in Saddlery and Leather Goods .	947	473
Retail .	28,842	7,547	Dealers in Furniture .	36,417	10,247
Dealers in Vegetables and Fruit—					
Wholesale .	16,528	1,922			
Retail .	44,093	20,776			
Dealers in Wines and Spirits—					
Wholesale .	8,077	2,030			
Retail .	7,391	1,949			
Dealers in Tobacco—					
Wholesale .	2,422	765			
Retail .	11,717	10,855			

	Males	Females		Males	Females
Dealers in Paper and Stationery (Wholesale) .	8,512	3,432	Departmental Stores, General Shops and like businesses .	116,711	72,213
Publishing and Wholesale Book-selling .	7,474	3,203	Hawking and Street Selling .	46,583	9,727
Dealers in Books, Newspapers, Stationery (Retail) .	30,715	23,741	Other and undefined dealing .	39,716	45,468
Dealers in Scrap Iron—			Auctioneers and Valuers, House and Estate Agencies .	30,515	6,323
Wholesale .	1,964	200	Advertising and Bill Posting Agencies .	7,424	2,320
Retail .	2,843	613	Typewriting and Translation Offices .	457	1,828
Dealers in Cotton Waste .	850	790	Employment Agencies .	217	1,127
Dealers in other Waste Materials .	8,936	4,644	Banking and Discounting Houses .	58,043	20,842
Dealers in Second-hand Goods (Not Furniture or Books) .	1,926	3,548	Insurance .	90,359	31,490
General and Export Trading and Non-textile Packing .	62,973	8,360	Money-lending and Pawnbroking .	9,195	3,943
			Other Finance .	24,857	8,494
			Other Trade .	3,914	1,645

### TEST PAPER I

1. What are the main differences between the activities of a trader and those of a farmer?

2. "The trader's function is to form a bridge between the persons engaged in production and those who participate in consumption." Show by a simple example in what way the trader achieves this end in dealing with producers or consumers residing in Australia.

3. In what respects does the business of a retailer differ from that of a wholesaler?

4. Take any article which is imported into this country and trace the main stages through which it passes from the source of production to the time when it is handed over by the retailer to the consumer.

5. The following are included in the "Classification of Dealers according to Commodities" in the Census of Occupations, 1921: Dealers in Furniture, Auctioneers and Valuers, Banking and Discount Houses, Dealers in Grocery and Provisions. Write as full an account as you can of the similarities and differences of these occupations.

6. Distinguish between: producers' trade, extractive producer, trader proper, collecting trade, distributing trade, consumers' trade.

7. Explain how extractive occupations differ from manufacturing and constructive occupations, and give two examples of each type.

8. Sketch the organization of a staple industry, such as the cotton or coal industry, indicating the links in the chain of production and distribution from the growing of the raw materials to the sale of the finished goods in the shop.

9. "The traders' function is to surmount the hindrances to exchange." Show how the different kinds of traders help in the attainment of this object.

10. "Business itself consists of the production of goods and commodities and of their transportation and exchange." Discuss this statement and relate it to the relevant classification of occupations.

## CHAPTER II

### VARIOUS FORMS OF RETAIL TRADE

THE retail trade manifests itself in a variety of forms which, for our present purpose, we may conveniently divide into two main groups, viz.—

1. The Itinerant Trade which is represented by hawking and peddling, street and market dealing. These are conducted on a small scale, whereas travelling stocks are sold on a large scale.

2. Local or Fixed Trade which assumes the form of ordinary retail shops, and is conducted on a large scale as multiple shops, departmental stores, and mail order businesses. Bazaars and hire-purchase businesses are conducted in small as well as in large undertakings.

**ITINERANT DEALERS.** Itinerant trade is a form of retail trade in which the seller has no fixed locality, but conveys his stock of goods from place to place. This form of trade is older than the local retail trade, but is of little significance in modern civilized communities, and will probably tend to become even more restricted in the future.

In the Census, 1921, the chief occupations of an itinerant nature are grouped under the heading of "Costermongers and Hawkers," and include the following—

#### COSTERMONGERS AND HAWKERS

Barrowman (Costermonger)	Ice Cream Seller
Basket Girl, Woman	Market Draper
Book Colporteur	Market Salesman (Market Stall)
Booth Keeper	Market Woman
Burnboat Man, Woman	Match Seller
Chestnut Roaster	Muffin Seller
Chip Potato Seller	Oil Hawker
Crumpet Seller	Oyster Seller
Fern Seller	Packman
Firewood Dealer	Pea and Pie Vendor
Fish Hawker, Wife	Pedlar
Flower Girl Seller	Petty Chapman
Fruit Seller, Stall Keeper	Pie Vendor
Groundsel Seller	Pikelet Seller
Herb Seller	Potato Roaster
Huckster	Rag and Bone Man
Rag Gatherer	Stall Keeper
Shellfish Seller	Street Hawker, Pedlar
Shrimp Seller	Street Seller
Smallware Stall Keeper	Watercress Seller

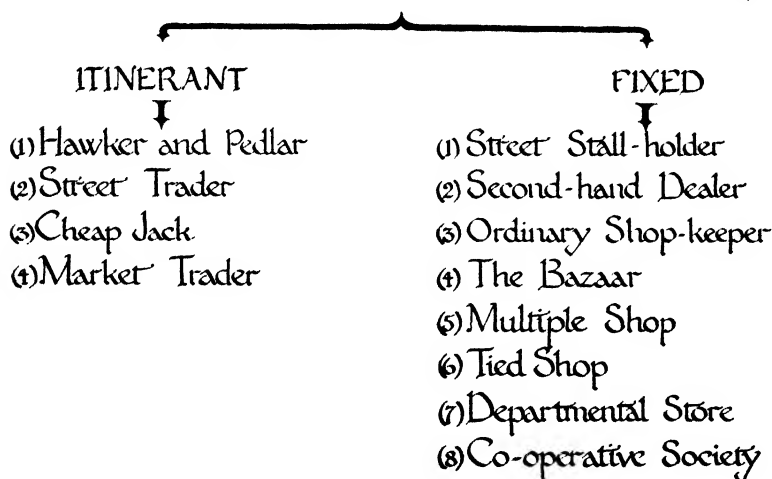


The chief persons engaged in the itinerant trade are hawkers and pedlars, street traders, cheap jacks, and traders on markets and fairs. Fairs, however, are concerned more with the wholesale trade.

**Hawkers and Pedlars.** Of the first three forms of itinerant trade, perhaps that of hawkers and pedlars is the oldest and simplest. It belongs in particular to that stage of economic development in which both buying, selling, and transporting are all undertaken by the same person.

The occupation of hawkers and pedlars has been regulated in Great Britain, and the two classes have been technically distin-

## CLASSIFICATION OF RETAIL TRADE



guished. The Pedlars Act, 1871, defines a pedlar as "any hawker, pedlar, petty chapman, tinker, caster of metals, mender of chairs or other person, who, without any horse or other beast bearing or drawing burden, travels and trades on foot and goes from town to town or to other men's houses, carrying to sell or exposing for sale any goods, wares or merchandise . . . or selling or offering for sale his skill in handicraft." Any person who acts as a pedlar must have a certificate, which is to be obtained from the chief officer of the police district in which the person applying for the certificate has resided during one month previous to his application. He must satisfy the officer that he is above 17 years of age, is of good character, and in good faith intends to carry on the trade of a pedlar.

The fee for a pedlar's certificate is five shillings. It empowers the police to inspect a pedlar's pack, and provides for the arrest of an uncertificated pedlar or one refusing to show his certificate.

Pedlars usually deal in all sorts of haberdashery, such as needles, buttons, cotton, etc., in picture post cards, letter paper, and calendars. At street corners or in public houses they also endeavour to dispose of small articles such as laces, matches, etc. The pedlar usually carries the whole of his stock in a basket or in a box, and occasionally he pushes a hand barrow.

The Hawkers Act, 1888, defines a hawker as "anyone who travels *with* a horse or other beast of burden, selling his goods." An excise licence must be taken out by every hawker in Great Britain, the duty imposed upon such licence is £2. There are certain exemptions from taking out a licence—commercial travellers, sellers of fish, coal, etc., sellers in fairs, and the real worker or maker of any goods. The hawker's business is extremely simple. The goods are procured—

1. On the hawker's own account either by purchase from a local supplier or from wholesale dealers, and occasionally from his own domestic production.

2. On account of the producer on the understanding that the hawker shall receive a share of the profits.

As a rule hawking tends to be restricted nowadays to the sale of agricultural produce such as greengrocery, the sale of baskets and chinaware. In many trades the employment of a horse and cart has become necessary owing to the ease with which goods can be forwarded by rail and motor.

Although the trade of hawkers and pedlars has lost its former significance, it cannot be denied that they are still indispensable in sparsely populated districts where a settled trade could not exist. In towns, however, they often become a nuisance on account of their importunate behaviour or the injury they inflict on the local shopkeepers. The latter may be overlooked where hawking and peddling afford a modest livelihood to invalids, but, unfortunately, it attracts many shirkers who hope to make an easy living. For such persons hawking and peddling is only a pretence for begging. According to the Census of Occupations, 1921, the number of hawkers and pedlars in England and Wales amounted to more than 50,000 persons.

**Street Trading.** The street trader offers his wares in the street in well-frequented spots without calling them out. Thus the hawker avoids traffic, whereas the street dealer seeks it. This constitutes the principal difference between hawking and street dealing. Street dealers stand at busy street corners or at the entrances to railway stations where they can do good business. With the change in the traffic the street dealer alters his pitch, and at night time he often goes round to the public-houses to sell. As a rule the street dealer carries only one kind of goods, chiefly articles for which there is a regular demand such as matches, flowers, laces, etc. At Christmas time he sells all sorts of novelties.

**The "Cheap Jack."** The "Cheap Jack" is a kind of travelling hawker. He is a business man who hires in a certain locality a shop in as good a position as possible. He makes a good display of his goods, employs all sorts of propaganda, and sells as much of his stock as he possibly can. As a rule he sells clothes and household requisites as well as cheap jewellery and all sorts of inferior goods. The chief supplies for this form of trade are derived from auction sales and bankruptcy stocks. When business in a certain locality ceases to pay, the "Cheap Jack" passes on to another locality.

**The Market Trader.** A market is a place where buyers and sellers congregate at stipulated times. There are three main types of market—weekly markets, annual markets, specialized markets and fairs.

1. *Weekly Markets.* The object of these markets is to supply towns with articles of food. There are also local by-laws imposed by the municipality. Instead of the weekly markets held in open spaces, large towns have their market halls which are generally open every day in the week. They have an advantage over the open-air markets in that the customers are not exposed to the inclemency of the weather. In these market halls are combined both the itinerant and fixed trade, as well as wholesale and retail trade. Wholesale trade is chiefly carried on in fruit, vegetables, and butter.

Although in some large towns there are several market halls, they are, nevertheless, unable to meet the entire demand of the population for agricultural produce, as is proved by the existence of so many greengrocers' shops. Produce in the market is usually fresher and cheaper, but many people lose so much time and money in visiting these markets that they prefer to deal with a greengrocer.

2. *Annual Markets* are distinguished from weekly markets in that they are held only once or at most several times a year in one locality. They also differ from weekly markets in the nature of the goods sold in them. In these annual markets the sellers come from the various producing districts, and offer to the inhabitants of sparsely populated districts a favourable opportunity to buy goods which the local shopkeepers do not stock at all or only to a limited extent. Such areas, however, are becoming increasingly scarce in civilized countries; hence, the importance and economic justification of the annual markets are gradually disappearing. With the development of modern transport and communication, annual markets have been dispensed with in many places.

3. *Specialized Markets and Fairs*. Specialized markets are held for the benefit of the wholesale trade, and for the most part the same remark applies to fairs. Where the retail trade is carried on in these fairs, they do not differ considerably from the local retail market.

As will be seen from the foregoing, with few exceptions the various forms of itinerant trade are of little economic significance. On the whole they do not offer any advantages to the buying public in these days of travel and rapid transport. Frequently they cause great injury to the local shopkeepers by whom they are strongly opposed through the various trade associations. For this reason certain legal restrictions have been imposed upon this form of trade.

**FIXED TRADE.** Like the itinerant trade (comprising hawkers and pedlars), the fixed trade also manifests a variety of forms among which may be mentioned the street stall-holder, the second-hand trade, the ordinary retail shop, the bazaar, the multiple shop, the tied shop, the departmental store, the mail order business, the co-operative society, and the hire-purchase business.

**The Street Stall-holder.** The link of transition between the itinerant trade and the fixed trade is the street stall-holder. Like the street dealer, the stall-holder selects his pitch in the main streets or at street crossings where traffic is very thick. He is distinguished from the street seller by the fact that he has a stall or a fixed stand with a table for his goods. He may, therefore, be regarded as a settled or fixed trader. The chief articles sold by the stall-holder are food-stuffs such as fruit, butter, eggs, fish, and confectionery, and sometimes fresh flowers. The stall-holder derives his supplies in part from

the small local suppliers, and partly from the wholesale dealers in the town (e g. fruit and fish).

**The Second-hand Dealer.** In the fixed retail trade is also included the second-hand dealer who is engaged in the purchase and sale of all sorts of used articles such as clothing and furniture. His suppliers are mostly people who, out of necessity, sell articles which are not indispensable to them, and well-to-do people who sell their cast-off clothing to these second-hand dealers. Supplies are also obtained from private and public auction sales. Customers of the second-hand dealer usually belong to the poorer sections of the population, for in this way they acquire requisite articles of consumption at the lowest possible prices. Although there is a tendency to look down upon this sort of trade, it is, nevertheless, a useful link in the economic system.

**The Ordinary Shopkeeper.** The most usual form of fixed trade is the ordinary retail shop with its variety of stages from the simple small grocer's shop to the fashionable high-class clothing establishment. In large towns the shops are more or less specialized concerns, but in provincial areas they are more in the form of general stores. The ordinary retail shop, as the typical form of fixed trade, will be taken as an example to illustrate the execution of transactions in the retail trade. The bazaar, the multiple shop, the departmental store, and the co-operative society are special forms of shopkeeping.

**The Bazaar.** This is a shop with uniform prices for goods of the most varied kind. Thus a boot bazaar may dispose of its boots and shoes at the uniform price of seven shillings and sixpence. Bazaars, which have all sorts of haberdashery, cheap jewellery and fancy goods for sale at a fixed price, are generally described as "Sixpenny" or "Shilling" bazaars, according to the price at which they sell. The success of such a business is usually based on the accurate estimation of the demands of the less educated and poorer sections of the population. It can scarcely be maintained that the bazaar trade exercises any ameliorating influence on the tastes of the population. Persons who know and like to have a good article do not usually speak well of bazaar goods. With the spread of culture and refinement these bazaar products will tend to disappear.

**The Departmental Store.** A departmental store is a large-scale retail establishment divided into numerous departments, each retailing a different class of goods. It is usually centrally situated and

luxuriously appointed; hence, a large amount of capital is required for its establishment.

The chief advantage of a departmental store over the ordinary retail shop is that it affords greater scope for specialization, with the result that there tends to be greater efficiency combined with the lowering of prices and better service. The departmental store caters for luxury and for those who prefer to do their shopping under the same roof. The existence of lounges, rest rooms, reading and writing rooms and restaurants in most of these stores testifies to the fact that these non-profit-earning departments act as an incentive to business. The departmental store keeps in stock practically every article of daily use, and in charge of each department there is a competent manager—the buyer, who makes it his duty to know what is needed at the moment. In view of its large turnover, the departmental store has an advantage in buying, though the range of qualities in any one article may not be so great as that of the specialist shop. Buyers from different large stores often co-operate in buying, sometimes agreeing to purchase between them the whole of a manufacturer's output. Thus much lower prices are obtained. In selling, cash is usually the only form of payment agreed to, or cash on delivery where goods are ordered through the post or by telephone.

**The Multiple Shop.** This term is applied to a large-scale retail undertaking which, within the same town or in the same country, has a number of branches. This kind of trade is included under the heading of the retail trade because the owner sells direct to the consumer, although he buys on a large scale like the wholesaler. The multiple shop, however, is not always a pure trading concern, but it is frequently employed by manufacturers who, in this way, sell their produce to the public. Thus some multiple shop companies are both producers and distributors, e.g. Liptons and the Maypole Dairy Company.

The central idea of the multiple shop system seems to be to supply a known service, or a known quality of article, close to the consumer's home or place of work, instead of trying to induce the customer to come to a central store to make his purchases. The goods are taken as near as possible to the customer's home, so that he can get goods of a known and uniform quality close at hand.

The management of the multiple shop concern is controlled from

the head office, where the general policy is decided upon, and from which detailed instructions are issued to the managers of the different branches. Goods are purchased by the head office and then forwarded to the branch shops as requisitioned, and the necessity for stocking a large amount at any branch is thus obviated. Economies are effected by cheaper buying, by the diffusion throughout the branches of any improvements in the methods of business, and by dispensing with the middleman. Each branch shop is under the charge of a manager whose sole concern is to sell the goods sent to him. The branch manager receives his instructions from the head office, and is required to furnish reports, daily or weekly, regarding turnover, stock, or any other matters pertinent to the business. He must keep his stock as low as is compatible with safety. The takings are paid into the bank daily, and the expenses are paid either directly by the head office or by the use of the Imprest System. Inspectors visit the different branches, confer with the managers, and make reports to the head office. Managers are stimulated to their best efforts by the granting of bonuses and the prospects of promotion. The multiple shop finds its best market among the middle class and the better working class, usually in articles of everyday use such as provisions, clothing, boots, and shoes.

**The Tied Shop.** A tied shop is one which, although not necessarily under, is generally controlled in some degree by a proprietary interest. It differs from the multiple shop inasmuch as the shopkeeper is not the employee of the interest to which the shop is tied. He is apparently an independent tradesman, but actually while retaining control of his business, he is bound to stock certain specified goods (e.g. those produced by the proprietary interest), to further their sale in preference to that of other goods, and probably to dispose of a specified quantity within a year.

In return for these the shopkeeper enjoys particularly favourable terms of credit, or receives supplies at less than the market price, or receives financial assistance, or enjoys concessions in regard to rent.

The tied shop may emerge as a result of the financial difficulties of a tradesman already established, or it may happen that the premises are bought or leased by the proprietary interest which is thus able to impose conditions upon a would-be tenant. Great care is frequently taken to hide the fact that the shop is tied. The most numerous type of tied shop in Great Britain is the public-house.

The brewer usually owns the building, the landlord being his tenant ; the latter may be tied for beer only or for all beverages. He may not purchase his beer, say, from anyone but the owner of the house, and as a rule he does not obtain such good terms as the proprietor of a free house, of which there are now but few. To a certain extent the same custom exists in the tobacco and jewellery business. In the latter business the stock is all supplied on credit, and though ostensibly the business is independent, in reality such independence is entirely fictitious, the jeweller being simply a salesman on commission.

**Mail Order Business.** This form of trade owes its origin to the progress in the means of transport which, even in the retail trade, makes it possible to extend the circle of customers beyond a particular district. The mail order business depends for its orders upon advertisements appearing in the Press or in periodicals. It makes no use of either wholesalers or retailers, but deals directly with the consumer. Mail order concerns have frequently arisen in connection with departmental stores and manufacturing undertakings. Propaganda is carried on by the distribution of price lists and catalogues, and the sending out of samples and patterns. In this business, travellers are frequently employed who visit the customers on behalf of their employers and book orders on the basis of samples submitted.

**Hire-purchase Businesses.** Whilst most business houses endeavour to obtain cash from their customers, the hire-purchase business encourages credit payments by making the extension of credit a special attraction. The proprietors of hire-purchase concerns offer to their customers articles whose prices are too high for them to pay in one sum ; they are therefore afforded the opportunity of paying for them by stipulated instalments. The custom is for the purchaser to pay an initial deposit on receipt of the goods, and further weekly or monthly instalments in accordance with the terms of the contract. Many of these businesses have also introduced the system of engaging special collectors to collect the instalments due.

The hire-purchase business has its advantages and its disadvantages. It affords to industrious persons of small means an opportunity to acquire capital with which they can increase their incomes ; for instance, by the purchase of a sewing machine or the hiring of a piano by a music teacher. This increased earning capacity very



often pays for the article, so that the instalments do not become too onerous. If, however, the hire-purchase system induces people to buy unnecessary or very expensive articles, it becomes a disadvantage, since it is without any corresponding economic benefit. Moreover, hire-purchase contracts frequently contain clauses which are disadvantageous to the purchaser, and which may be easily overlooked by uneducated persons when signing the contract. This is a matter which frequently gives rise to litigation.

**CO-OPERATIVE STORES.** The co-operative movement had its beginning in a very small way when the Rochdale Equitable Pioneers—twenty-eight poor men—opened a retail store with a capital of £28, each one contributing £1, to supply goods on the co-operative principle. The idea spread to other towns and, although many of these were failures, the movement rapidly gained ground in the North and Midlands of England and in Scotland. Stores have also been successfully established in other parts of the country. The system generally adopted is for membership to be open on payment of an entrance fee and the taking up of a £1 share, which may be paid up from profits. An account of a member's purchases is kept by means of tokens—a limited interest is paid on shares, and the remainder of the profits distributed according to the value of the purchases. The co-operative societies are registered under the Industrial and Provident Societies Act, 1862, by which they become corporate bodies with limited liability. Under this Act the maximum amount of share capital held by one person is fixed at £200. The societies are managed by permanent officials assisted by a committee of members elected by the members themselves. In this respect each member has one vote irrespective of his holding of shares. An important development was marked by the foundation in 1863 of the Co-operative Wholesale Society of which the retail societies are members. Its objects are to effect economies in buying and producing large quantities of goods required by the retail stores. This society has made rapid progress, and is now a large purchaser and manufacturer, and has important banking and insurance business.

The accounts of the Wholesale Societies are dealt with in a similar manner to those of the retail societies, any divisible surplus at the end of an accounting period being disbursed, after meeting fixed charges, in the form of a discount on the purchases of retail societies, so that whether the trading operations are on the wholesale or retail

# COMPARISON OF THE MAIN TYPES OF BUSINESS IN THE RETAIL TRADE

	ITINERANT TRADE	SMALL RETAIL SHOP	MULTIPLE SHOP	DEPARTMENTAL STORE	CO-OPERATIVE STORE	MAIL ORDER BUSINESS
<b>FINANCIAL REQUIRE- MENTS</b>	The capital required is extremely small, and is practically limited to the outlay on the stock-in-trade.	Relatively small amount of capital required, the predominant type of business being the sole trading concern.	Large capital required to finance purchases, and the organization taking the form of a joint stock company.	Large capital required to finance purchases and maintain extensive premises. The business may develop from a sole trading concern but is usually a joint stock company.	Large capital is required as in the case of multiple shops, but it is supplied by members in small amounts under the Industrial and Provident Societies Acts.	A mail order business may be conducted in a small way with limited capital, but development requires a considerable outlay.
<b>PURCHASING</b>	Goods are purchased in small amounts and often consist of produce sold at low prices in order to dispose of it before waste occurs.	Goods are purchased in relatively small amounts and in great variety. Buying is consequently expensive.	Goods are purchased in large quantities but cover only a limited range of articles. Goods are obtained at cheap rates as a result.	Goods are purchased in large quantities and cover a variety of articles. The range of any one department is limited.	Purchases are usually confined to certain classes of articles such as groceries. Goods are obtained from co-operative sources when possible.	A manufacturer may sell his own goods by mail, or a middleman may specialize in one class of goods and buy in large quantities.
<b>OPERATING EXPENSES</b>	There is an almost complete elimination of overhead expenses. The hawker may be compelled to pay for a licence.	The small retail shop may have a relatively low cost of doing business, especially if located away from shopping centres.	The cost of doing business is usually low since the multiple shops provide a limited range of specialized services.	The cost of doing business is high on account of the high cost of premises, and the large number of services rendered to customers.	The expenses of co-operative societies vary widely according to departments.	The expenses are low with regard to actual selling, but development and advertising expenses are often very high.
<b>SALES POLICY</b>	The itinerant merchant relies upon his ability to secure bargains in cheap goods in order to sell cheaply and undercut his competitors.	This type often charges more for goods than do larger concerns, but relies upon providing for the convenience of customers.	The multiple shop works upon the system of "small profits, quick return," and aims at a big turnover at a low rate of profit.	The departmental store provides for a good class of customer who requires staple articles of a superior type and also looks for services of various kinds.	The co-operative store may aim at a low rate of profit and low dividends, thus providing cheap goods, or it may sell at current rates to obtain larger dividends.	The cost of goods may be slightly above normal, but the mail order business makes its appeal on the score of convenience.
<b>SALES DEVELOP- MENT</b>	This is hardly ever practised consciously by the hawker who relies solely on his low prices for custom.	It is not practised to any great extent by the small shop, though there is a tendency towards development of window displays.	The multiple shops by standardisation of fitting, etc., tend to cause one branch to advertise another. Some concerns also advertise in the Press and by offering cheap lines.	The departmental store presses all the devices of modern advertising into its service for the purpose of sales development.	The co-operative store, through the organizations with which it is connected, diffuses propaganda in order to obtain converts to co-operative principles.	The mail order business employs both Press and Direct Mail advertising as media for extending its activities.

basis, the whole of the economies effected by a collective trade are ultimately expressed in the discount on purchases made by the individual consumer as a member of his retail society.

The co-operative stores are managed with a view to supplying cheap and good commodities rather than with a view to profit, and are of great importance in encouraging thrift among the working classes. They have as their aim the substitution for the competitive system of a system based on common interest. They have considerable social significance and actively support educational and social causes.

**Municipal Trading.** Municipal trading is generally understood to connote the provision by the municipality of certain social goods such as tramways, electricity, houses, and baths. It is urged in support of such provisions that the public benefits by the municipal control of services which, in private hands, would by reason of their monopolistic nature be very expensive. It is also suggested that in the case of tramway construction, for example, a private company would be guided exclusively by considerations of profit, while the municipality would never lose sight of the higher considerations of future development and the ultimate public good. While it is true that in many cases municipal trading is carried on at a pecuniary loss, it must be remembered that this is by no means necessarily so, and, even if it were, the public are still the gainers by reason of the utility of the service rendered. For example, the provision of good public baths is of such value from the point of view of public health, that the fact that they are not financially self-supporting becomes irrelevant. Again, the post-war failure of private enterprise to provide houses has left no alternative to municipal enterprise in this matter. Many of the objections used against State ownership do not apply to municipal trading, since citizens can exercise a more direct control than is possible in the case of parliamentary voters, and, moreover, it must not be forgotten that municipal accounts are subjected to the close scrutiny of the Ministry of Health.

The opponents of municipal trading affirm that the primary duty of a local body is to govern and not to trade. It is said that the assumption of trading functions results in great expense to the community which is reflected in the local rates. Moreover, the inelasticity of the system, lack of experience of the operations, and the lack of attention to small economies result in an inferior service at

an inflated cost. Finally, the employees in such municipal undertakings endeavour to secure advantages for themselves by means of their votes, and so corruption is engendered.

### TEST PAPER II

1. Into what two main groups may the retail trade be divided?
2. What is meant by itinerant trade? Enumerate six examples which appear in the Census, 1921.
3. In what respect does a pedlar differ from a hawker?
4. Write notes on the characteristic features of the following forms of itinerant trade: (a) Street trading; (b) "Cheap Jack"; (c) the market trader.
5. Estimate the importance of the itinerant trade in the modern economic system.
6. Arrange the various forms of retail trade according to their degree of fixity.
7. What is retail trade? By what methods, other than shopkeeping, is retail trade carried on?
8. Enumerate as many different types of retail businesses as you can and analyse carefully the organization of one of them.
9. What do you mean by (a) a departmental store; (b) a multiple shop? Point out the chief features of their respective organizations.
10. In what ways do (a) the large departmental stores, (b) the multiple shops, and (c) the co-operative stores affect the trade of the small retail dealer?
11. In your opinion, what are the advantages and disadvantages of the following forms of trade: (a) Competitive undertakings, (b) Co-operative distributive societies, (c) municipal undertakings?
12. What are the chief features of co-operation? Estimate the success of the co-operative movement in this country. In what directions do you think it likely that it will advance in the future?
13. It is said that there is a special tendency in modern business towards concentration and the elimination of the small manufacturer or trader. Illustrate the operation of this tendency in any branch of industry in Great Britain.
14. What are the advantages and disadvantages of the hire-purchase system?
15. Mention the ways in which the small trader suffers from the competition of the multiple shop and the mail order business. Has he any advantages over these two forms of business organization?
16. When a retail shop has developed so as practically to exhaust the purchasing powers of the immediate neighbourhood, upon what lines is further extension possible? Discuss their respective advantages.
17. Enumerate as many forms of retail trade as you can. Describe and critically examine the organization of one of the forms you mention.
18. What are the distinctive features of a retail mail order business?
19. What is meant by a "tied trade"? Give two examples.
20. What are the principal industries and services organized by municipalities? State in each case what, in your opinion, are the benefits which accrue to the community from public ownership.

## CHAPTER III

### PURCHASE OF GOODS IN THE RETAIL TRADE

THE purchase of goods is one of the most important branches of the trader's activities, and is one which must receive the closest attention. The object of the trader must be to tie up as little capital as possible in stocks of goods, and yet never be out of stock of an article which customers require. In short, he should always have all necessary articles in stock, but never be overstocked in any particular line. Of course, this is an ideal which he will never actually attain in practice, but, nevertheless, he should always make it his aim, and the nearer he approximates to the ideal, the greater will be the success of the business. When goods are allowed to run out of stock, business may be lost because customers take their orders elsewhere. Even if they are prepared to wait until supplies are obtained, a bad impression is created if the article required is one in common use, and one which the trader might reasonably be expected to have on hand. In addition to this, however, extra expense will usually be involved in filling orders. In order to obtain the goods quickly, the trader may be obliged to order in uneconomical quantities, and bear additional transport charges such as those incurred in sending goods by passenger train.

Many retailers when purchasing, feel that the greatest measure of success lies in securing low prices. In this way they tend to place too great an emphasis on the price factor, and neglect other considerations such as more efficient service. Attracted by the offer of a low price they may purchase in excess of their actual requirements, and thus tie up their capital for unreasonable lengths of time. The qualifications of a good buyer are many, but the following may be said to be essential—

1. A thorough and accurate knowledge of the different sources of supply.

2. He should be familiar with the prevailing prices and the probable future trend of prices.

3. He should have an intimate acquaintance with the various grades and qualities of the articles handled by the business.

4. He should be thoroughly conversant with the requirements of the class of customers who patronise the business.

In this chapter we shall consider the general principles on which the retailer may procure the commodities which he wishes to deal in; how he should select his suppliers—whether manufacturers or wholesalers, and how he opens up business connections with them and arrives at an agreement concerning the price.

**SELECTION OF SUITABLE SOURCES OF SUPPLY.** With the increase of competition, the more important becomes the business of buying; for a favourable purchase constitutes the safest basis for a profitable sale. Hence the retailer, however small his business may be, must pay the greatest attention to his buying. This will reveal itself even in the selection of his sources of supply. In the first instance, he must endeavour to form a comprehensive idea of the most suitable sources of supply, and the most favourable opportunities for the purchase of the article he requires. As these frequently allow considerable scope for choice, this task is often beset with difficulties. The trader must pay attention to all the quotations and price lists of suppliers, and must carefully examine them. He must receive their travellers and, in particular, he must endeavour to find out new sources of supply by means of inquiries, the reading of trade papers and the consulting of directories. Of course, this involves much trouble and work, and may also entail expense, but it is worth while. It is only by making continual comparisons of the incoming offers that he will succeed in finding a supplier who is efficient and reliable, and able to furnish him punctually with appropriate goods in good condition and at a fair price.

The retailer's chief sources of supply are the wholesale warehouseman, and the manufacturer or producer. A retailer can only acquire overseas products such as rice, coffee, tea, and cocoa through the mediation either of an importer, or a home wholesale merchant. Products of home agriculture or manufactures, however, he may obtain either direct from the manufacturer or from the wholesale warehouseman. In the case of certain proprietary brands, and also textile goods, the supply direct from the manufacturer is facilitated by the latter who sends his traveller direct to the retailers, thus tending to eliminate the wholesaler. If there is the dual possibility of getting the goods from either the producer or from a wholesaler, it does not necessarily follow that trade direct with the producer

will be the more advantageous method. Other things being equal, a trader should make his purchases from sources as near to his business as possible, for in this way the goods may be obtained more quickly and bought in smaller quantities.

Where the trader elects to make his purchases direct from the producer of the goods, he gains the advantage of eliminating the profits made by the middleman. The question then arises: Does this saving compensate him for the loss of the services rendered by the latter? The extent to which the retailer is able to dispense with the wholesaler and to avail himself of the advantages of a direct supply, depends essentially upon the magnitude of his capital and the extent of his demand for the articles in question. The manufacturer prefers to sell his goods in bulk and fixes his prices accordingly. Hence the retailer will have to take a relatively large quantity, for in the case of smaller quantities the manufacturer might demand a higher price or even decline to supply small quantities, and may refer the retailer to the wholesaler. The retailer can only buy a larger quantity if he has a corresponding turnover and the command of a sufficiently large capital. A further disadvantage of direct supplies, even if small quantities can be obtained, is the request for cash-with-order on the part of the manufacturer, whereas the wholesaler is usually willing to extend credit to the retailer. Similar advantages and disadvantages are applicable to the direct purchase of overseas products from an importer. The latter likewise sells in large quantities only, and cannot afford to give a long period of credit.

In the light of these considerations, small retailers will find it almost essential to buy through wholesalers, since the latter alone can carry the large stocks of varied lines from which the small retailer wishes to buy limited quantities. Further, the wholesaler, by selling goods in small quantities on credit, performs a useful service to the small retailer who does a credit business.

**ADVANTAGES OF LARGE-SCALE RETAILING.** In this connection, the superiority of the retail business on a large scale such as that carried on by the big departmental stores is manifest. The large-scale undertaking usually possesses the necessary capital which is indispensable when buying from an importer or from a manufacturer in the home trade. The requirements of a large departmental store are usually of sufficient magnitude to allow of large orders

being given, or even to allow of the purchase of the entire output of a manufacturer. Moreover, the departmental store does not need the credit of the wholesaler as it can afford to pay cash to a manufacturer, since, in turn, the large stores receive cash from their customers. In this way the stores obtain a low purchase price, and secure a competitive advantage over the smaller undertakings.

**CO-OPERATIVE BUYING ASSOCIATIONS.** In order to preserve wherever possible the advantages of wholesale buying and of direct supplies, the proprietors of small shops have, in many cases, combined themselves into associations for the purpose of co-operative buying. Such co-operative buying associations are found chiefly in the large cities. In this form of buying, the retailer cedes a part of his independence and relinquishes his direct relations with the suppliers, since he has to take the goods which are bought by the association. In other words, the co-operative buying association represents its members in their relationship with the outside world. Nevertheless, the chances are that the association will not secure the same low prices as an individual buyer, and to this extent it would fail in its purpose. Where the association, as such, can hide its identity, and exercise greater liberty in its dealings, retailers might with advantage combine to effect their purchases in common. The scheme does not appear to have found favour in this country, although several attempts have been made in this direction in the United States of America. There appears to be difficulty in running such an organization successfully on account of the difficulty of getting the various members to sink their individual differences.

**METHODS OF BUYING.** Since good buying is one of the principal factors in business success, the cultivation of cordial relations with the suppliers must be the constant aim of the small retailer—a matter which is too frequently neglected in many small undertakings. The small retailer relies more or less upon the fact that the agent or traveller of the supplier will call at the right time and solicit his orders. In the large-scale business, however, matters are very different. Here we find a well-organized buying department with a responsible person at the head. In the departmental stores there are as many buyers as there are departments. The buyer undertakes frequent journeys to the centres of trade and manufacture in order to effect his purchases, and in this way he gets



into close touch with the suppliers. He assures himself personally of their efficiency and reliability, and he will no doubt obtain more favourable prices, for the supplier will appreciate the advantages of this method of doing business for he saves the expenses of a traveller.

In the purchase of the goods, the initiative may be taken by either the retailer or the supplier. Where there are many sources of supply, the first step will probably be taken by the supplier offering his goods. Frequently, however, business relations are opened up by the retailer making an inquiry; especially is this the case with articles for which there is a keen demand, thus rendering it unnecessary for producers to trouble much about seeking a market.

The external stimulus giving rise to an inquiry may be something quite apart from the increase in the quantity and variety of goods in stock. For instance, it may be a newspaper advertisement, the receipt of an offer, or the display of new articles in an exhibition. The inquiry usually deals with the price and the quality of the goods, the terms of payment, and the time and conditions of delivery. According to their form, a distinction is drawn between verbal inquiries made through persons such as travellers and agents, and written inquiries in the form of letters and post cards. In this connection, an important part is also played by the telephone and telegraph.

**THE BUSINESS ASPECT OF THE OFFER.** Offers or quotations are given on special occasions, such as in response to an inquiry or arising out of a favourable opportunity to buy. They may also assume a more general nature in the form of price lists, which contain a statement of the quality and prices of the goods offered for sale together with the terms and conditions of payment and delivery as well as the usual method of packing. An example of a price list is given on page 26, while on the opposite page is printed a specimen set of Terms and Conditions of Sale.

On receipt of the quotation, the retail trader scrutinizes it carefully to ascertain the advantages it contains. In this respect many points have to be taken into consideration. The price alone is not the determining factor, and, besides the quality of the goods, due regard must also be paid to the cost of transport and the terms and conditions of payment.

## **TERMS AND CONDITIONS OF SALE**

**TERMS.**—Prices quoted (with certain exceptions) are for cash. A discount of  $2\frac{1}{2}$  per cent is allowed for payment within 14 days of date of invoice.

**MONTHLY ACCOUNTS.**—By special arrangement Statements of Account are rendered at intervals of a month with a discount of  $2\frac{1}{2}$  per cent for prompt payment, except on items marked NETT. No longer term of credit than the Monthly Account is allowed.

**NEW ACCOUNTS.**—Orders from new customers should be accompanied by either Cash or London Trade References.

**PACKAGES.**—These will not be charged and are non-returnable except in the case of Road Delivery where a charge will be made if kept.

**ORDERING.**—It will greatly facilitate the execution of orders and prevent mistakes and misunderstanding if, when ordering, prices and sizes are distinctly stated.

It should be distinctly understood that prices charged are those current at time of dispatch, also that we are unable to guarantee delivery of any articles included in orders unless stocks permit us to supply.

In cases where prices are not quoted, these lines are temporarily out of stock.

**DELIVERY OF GOODS.**—Goods are delivered free to Carriers, to nearest Railway Depots and to the Docks and Wharves; after such delivery goods are at Buyer's risk. Goods dispatched by Sea route can be insured at a small cost.

**CARRIAGE-PAID GOODS.**—Orders to the value of £5 and upwards, comprised of those goods stipulated on various pages, are delivered free to any Railway Station or Port, at our option, in Great Britain, or to any port in Northern Ireland.

Should customers request such orders to be sent by rail when a water route is available, the Goods will be dispatched by Rail, carriage paid, and the difference between rail and water rate charged on invoice.

Any other goods quoted in this Price List can be packed and forwarded with a £5 Carriage-paid order; their proportion of carriage will be charged on the Invoice.

**GUARANTEE.**—All goods of our manufacture quoted in this Price List are hereby guaranteed to be of the nature, substance and quality described, and to conform in every respect with the requirements of the Food and Drugs Acts and all regulations relating to Food Stuffs now in force.

**SQUAIR, DEALER & SONS, LTD.**

# SQUAIR, DEALER & SONS, LTD.

## PRICE CURRENT

### NEW SEASON'S PRESERVED PEELS

#### Candied and Drained

Attention is called to the fact that quotations for Peels are subject to  $2\frac{1}{2}$  per cent Cash discount. It is obvious that in comparing with Net Quotations  $2\frac{1}{2}$  per cent must be deducted from our prices.

CANDIED PEELS	No. 1	* No. 2	Super- fine
Lemon . . . . in 7 lb. Boxes, per cwt.	74/-	70/-	77/-
Orange . . . . " "	82/-	78/-	87/-
Citron (large) . . . . " "	110/-	—	112/-
" (small) . . . . " "	105/-	105/-	—
Mixed ( $3\frac{1}{2}$ Lem., $2\frac{1}{2}$ Or., 1 lge. Cit.) " "	82/-	—	85/6
" ( $3\frac{1}{2}$ Lem., $2\frac{1}{2}$ Or., 1 sml. Cit.) " "	81/3	78/-	—
London Mixed, $3\frac{1}{2}$ Lem., $2\frac{1}{2}$ Or., 1 Canaroni .	—	77/-	—
<p><b>TURNED DOWN PEELS</b>, lightly Candied, no sugar inside, 4/- per cwt. more than Candied.</p> <p>*No. 2 Quality Candied Lemon and Orange are offered subject to being in Stock.</p>			
DRAINED PEELS (Whole Caps)			
Lemon . . . . in 8 lb. Boxes, per cwt.	68/-	—	71/-
Orange . . . . " "	76/-	—	81/-
Citron (large), Selected " "	104/-	—	106/-
" (small) " " "	100/-	—	—
Drained Peels, in 56 lb. boxes, 5/- per cwt. less.			
Sliced Drained Citron in 5 lb. boxes, per lb., 1/4	—	—	—
CANDIED SPAD LEMON			
Small Thick (caps 2 to $2\frac{1}{2}$ oz.) " "	—	—	80/-
L. Medium ( " $3\frac{1}{2}$ to 4 oz.) " "	—	—	89/-
L.L. Large ( " about 7 oz.) " "	—	—	—

Quotations are without engagement and subject to market fluctuations.

(a) **Price in Relation to Quantity.** Most goods are sent out packed. The packing or wrapper is either included in the price of the goods, or it is charged for separately; it may or may not be returnable. If the costs of packing are included in the price, this will be specially mentioned in the quotation. Expressions used in this connection are "Including Casks," "Packing Included," "Gross Weight for Net Weight." The opposite to these is the price for the net weight of the goods, which is a common form of quotation.

*Gross Weight* signifies the weight of the goods inclusive of packing, and *Net Weight* the actual weight of the goods without the packing, whilst the weight of the packing itself is called the *Tare*. According to the methods of ascertaining the tare, a distinction is made between—

1. The actual weight of the packing as established by weighing, i.e. *Actual Tare*.

2. The usual weight of the packing which is fixed by commercial usage, i.e. the *Customary Tare*. This is acceptable to the buyer when the weight of the packing remains constant. Charging up the customary instead of the actual tax, however, signifies that the quantity of goods is not precisely fixed; on the other hand, it ensures a great saving in time and expense in the forwarding of goods. In particular, the calculation of the customary tare is effected—

- (1) according to the piece, where a certain allowance is made on each piece, e.g. 2 lb. per bag of coffee, and

- (2) a percentage of the gross weight, e.g. an allowance of 6 per cent in the case of cotton.

In addition to the weight of the packing, there are several other weight allowances, namely—

1. *Draft*. This is a compensation allowed to the retailer over and above the tare for loss of weight due to evaporation or weighing out. For instance, out of one hundredweight of coffee the seller does not get 112 pounds or 224 half-pounds, because he loses the turn of the scales in every transaction.

2. *Tret*. This is compensation for the damaged or useless parts of goods such as leaves, stones, and stalks.

3. *Ullage*. This is a compensation for the loss in casks of wine or other liquids due to evaporation or leakage.

In effecting his purchases, the retailer has to observe carefully the extent to which these weight allowances are included in the

quotation. According to the law, where the price is based upon the weight of the goods, a deduction from the net weight has to be made for the wrapper or packing, unless the contract of sale or the usage of trade otherwise determine. Any further allowances for weight would be stipulated in the contract or fixed by local trade usage.

(b) **The Price in Relation to the Cost of Transport.** In order to form a correct estimate of the price of goods, consideration must be made as to whether and to what extent the costs of transport have been included. In this connection, the trader should ascertain which of the following prices have been quoted—

1. *Ex Warehouse or ex Factory.* These quotations signify that the seller bears no part of the cost of transport, because he hands over the goods to the buyer at his place of business.

2. *Free on Rail (f.o.r.).* In this case the seller bears the cost of cartage and handling up to delivery into the charge of the railway company.

3. *Free Railway Trucks (f.o.t.) or Free on Board (f.o.b.).* Here the seller pays the cost of transporting the goods and of placing them on the truck or the vessel.

4. *Cost, Insurance, and Freight (c.i.f.).* The seller pays the cost of conveying the goods to the port of destination.

(c) **Price in Relation to Terms and Conditions of Payment.** Whether the retailer obtains his goods for cash or on credit is not a matter of indifference. A sale for cash does not always mean that cash is paid at the time of the sale; it may signify that the goods have to be paid for within a short time, say, within a fortnight. The credit price allows the buyer a certain period within which to make his payments, say, two, three, or even six months. Where the seller allows the customer credit terms, the loss of interest has, of course, to be added to the price of the goods. The credit quotation will, therefore, show a difference as compared with the cash price. The buyer, however, has the great advantage of being able to pay for the goods with the money he has in the meantime received for them. If the buyer pays for the goods before the expiration of the credit period, he is entitled to an allowance known as discount, which is expressed as a percentage.

**THE LEGAL ASPECT OF THE OFFER.** Where the prospective buyer intends to give an order on the basis of the quotation received,

## SPECIMEN QUOTATION

Telephone: { LONDON, ROYAL 1351  
 { LIVERPOOL, BANK 1023

Telegrams:  
 "EXCELSIOR," LONDON

# SQUAIR, DEALER & SONS, LTD.

## Wholesale Provision Dealers

Head Office:

18 EASTCHEAP,  
 LONDON, E.C.3.

28th November, 19—

NB/M.M.

THE STAR SUPPLY CO.,  
 92 Queen Street,  
 Cardiff.

Dear Sirs,

We thank you for your esteemed inquiry of the...18th inst.....and have pleasure in submitting our quotation. Trusting that we shall be favoured with your order,

We are,

Yours faithfully,

SQUAIR, DEALER & SONS, LTD.

N.B.

Lyle's Granulated Sugar	112 × 1 lb. bags	. 26/3
Lyle's Granulated Sugar	56 × 2 lb. bags	. 25/9
Tate's Fine Gran. Sugar	56 × 2 lb. cartons	. 26/3

*Offered subject to the terms contained in the printed conditions of the London Wholesale Sugar Dealers Association.*

TERMS: 28 days net.

### GENERAL CONDITIONS OF SALE

**ACCOUNTS.** A monthly account may be opened on receipt of satisfactory London trade references.

**CARRIAGE.** Goods are conveyed free by the Company's Vans within our delivery radius in the ordinary rotation of deliveries. With the exception of Sugars, orders for not less than £5 are sent "Carriage Paid." In the case of Sugars, orders of the value of £5 and upwards are sent carriage paid at an additional charge of 1/- per cwt.

**QUOTATIONS ARE WITHOUT ENGAGEMENT AND SUBJECT  
 TO MARKET FLUCTUATIONS**

he should first examine the legal aspect of the matter. In law, there are three different kinds of offers—

1. Where the offeror does not intend to bind himself by his offer and, therefore, adds the words “if unsold,” or “without obligation.”

2. Where the offer is made unconditionally and without reservations.

3. Where the offeror sets a time limit for the acceptance of the offer.

In the last two mentioned cases, the offeror is unconditionally bound by his offer; that is to say, in (2) he is bound by the offer up to the time within which, in the circumstances, he may expect an acceptance, namely, immediately in the case of a verbal offer, by return of post in the case of a written offer, and in (3) up to the expiration of the time limit. Thus, in the specimen quotation given on page 26, the offer falls within the first named category, since the offeror declares that “Quotations are without engagement and subject to market fluctuations.” Furthermore, in this case it should be noted that the offer is still further qualified, since it is subject to the conditions of sale of the London Wholesale Sugar Dealers Association. If, therefore, a transaction of any importance was contemplated, the retailer would do well to make himself acquainted with these.

An offer lapses in the following circumstances—

1. If the acceptance of the offer arrives too late, i.e. after the expiration of the stipulated time.

2. Where the offer is only accepted in part.

3. If the acceptor adds to the acceptance certain reservations, restrictions, or modifications.

4. If the offeror revokes his offer in good time. An offer may be revoked at any time prior to the acceptance, provided no consideration has been given to keep the offer open, and notice of the revocation may be given in any manner so long as it reaches the offeree.

**THE PURCHASE.** Every purchase involves the making of a contract in which the seller binds himself to supply, and the purchaser to take delivery of goods, at the price and conditions agreed upon.

Under the Sale of Goods Act, 1893, the rights and duties of the buyer and the seller are well defined. It will be noticed that the duties of the one are the rights of the other.

## THE SELLER

1. It is the duty of the seller to offer the goods in accordance with the terms of the contract.

2. The seller must be ready and willing to give possession in exchange for the price.

3. The seller must deliver if the contract specifies that that is his duty.

4. The seller's delivery must be at a reasonable hour.

5. The seller must pay expenses of and incidental to putting the goods into a deliverable state.

6. The seller must tender the exact amount of goods in accordance with the contract.

7. The seller should not deliver by instalments unless by special contract.

8. The seller must make suitable arrangements with the carrier if he contracts to deliver.

9. If delivery involves a sea route, the seller must notify the buyer so that he may insure; otherwise the goods are at the seller's risk.

10. The seller may agree to deliver at his own risk, i.e. he may take responsibility for loss during transit.

11. The seller must (by request) allow the buyer reasonable time to examine the goods to ascertain if they are in agreement with the provisions of the contract.

12. When the seller requests the buyer to take the goods in conformity with the contract, he can claim damages for loss owing to the non-compliance of the buyer.

## THE BUYER

1. It is the duty of the buyer to accept and pay for them in accordance with the terms of the contract.

2. The buyer must be ready and willing to give the price for the possession of the goods.

3. The buyer must fetch from the seller unless otherwise agreed.

4. The buyer's demand for delivery must be at a reasonable hour.

5. The buyer must pay expenses of transfer from the seller to himself or his agent.

6. The buyer may reject the whole or the superfluous portion if more than the contract value is tendered.

7. The buyer may reject the goods if less than the contract amount is tendered.

8. The buyer may hold the seller responsible for damages in case the seller omits these duties.

9. The buyer must suffer any loss en route if he fail to insure unless he had not been notified by the seller.

10. But in any case the buyer must (unless otherwise agreed) take risk of deterioration necessarily incident to the course of the transit.

11. The buyer is not deemed to have accepted until he has had reasonable opportunity of examining them.

12. The buyer who refuses to accept for a good reason, need only notify the seller to that effect. The responsibility of return carriage or loss is the sellers.

It is a general rule in most business transactions on a credit basis, even between concerns having extensive business relations, that every order for goods should be given in writing. In this way misunderstandings are avoided, while in the event of any dispute, written evidence is available of the terms of the transaction. Most concerns have special Order Forms for the purchase of goods, and, while these vary in detail according to the size and nature of the



business, the specimen given on page 33 is typical. The main points which should be embodied in the order are—

1. The name and address of the concern placing the order.  
(These are usually printed at the head of the form.)
2. The name and address of the firm with which the order is placed.
3. The quantity of goods required.
4. The description of the goods. The detail with which this is given will largely depend upon the nature of the goods, but in every case care should be taken that sufficient particulars are given to avoid ambiguity. Failure to do so may easily lead to delay, either through the wrong goods being supplied, or through the necessity of correspondence to avoid errors. In many cases, the various lines stocked are designated by a number or letter which is given in the price list. Where this is done, this number or other reference should be quoted.
5. The price of the goods. This may be obtained from the price list or through a special quotation. In the latter case, special reference should be made to the quotation. If the price is subject to any trade discount, mention should be made of this.
6. Any special conditions governing the sale should be mentioned. These may deal with a variety of matters such as the time of delivery, the place of delivery, the payment of carriage, or the mode of packing.
7. The order should bear the signature of a duly authorized person.

In the case of some firms of wholesale dealers, special order forms are supplied by them to their customers. These, very frequently, as in the example given on page 34, are designed specially for the ordering of a particular commodity. They serve a two-fold purpose for, in the first place, they make ordering easy, since the customer has merely to fill in his name and address, and the quantities required, in the appropriate places. In the second place, they ensure that the customer will give all the details required to complete the order.

Apart from any agreement to the contrary, the place for delivery is the seller's place of business, if he has one, and if not, his residence. But if the contract is for the sale of specific goods, i.e. goods identified and agreed upon when the contract is made, and these goods

## SPECIMEN ORDER FORM

Telephone: 863

Telegrams: "STAR," CARDIFF

ORDER

B. 821

## STAR SUPPLY CO.

92 QUEEN STREET,

CARDIFF.

29th November, 19—

Messrs. Squair, Dealer &amp; Sons, Ltd.,

18 Eastcheap, London, E.C.3

Please supply the following goods—

112 × 2 lb. bags Lyle's Granulated Sugar at 25/9  
per cwt. as per your quotation dated 28th November,  
19— (Ref. NB/MM).

Terms: 28 days, net.

Delivery: to above address at your earliest convenience.

For and on behalf of

THE STAR SUPPLY CO.,

Robert Jones.

## PLEASE NOTE—

No order will be recognized unless given on our official order forms, and duly signed.

We reserve the right to reject any goods which are not in accordance with the description given above.

Every bale or package must be marked as follows—

B 821 Dept. C.
-------------------

An advice note should be sent with every consignment.

The number of this order must be quoted on all invoices.

**ORDER**

TO . .

**ROBINSON & CO., LTD.  
MANCHESTER****FOR OFFICE USE ONLY.**

L.F.

30th November, 19—

FROM The Star Supply Co.,  
Please address in full and clearly)92 Queen Street,TOWN Cardiff COUNTY Glamorgan  
Please state nearest Railway Station—Cardiff Station G.W.R. Railway

"PREMIER" BRAND SUET	SHRED		BLOCK		TERMS NET MONTHLY
	Weight	Price	Weight	Price	
2 lbs. . .	NIL.		lbs.		Carriage Paid on 28 lb. and over.
1 lb. . .	48 lbs.	50/-	24 lbs.	25/-	
½ lb. . .	lbs.		lbs.		
¼ lb. . .	lbs.		lbs.		
Loose in four 7 lb. boxes .	28 lbs.	28/-	NIL.		The minimum carriage paid quantity of small packets or small blocks is 2 gross of packets or 3 gross of blocks or 2 gross assorted
Loose in 28 lb. cartons	lbs.		NIL.		
* Small Packets	gross		NIL.		
* Small Blocks	NIL.		gross		

\* The small packets and blocks are packed 3 dozens to the box in attractive decorative boxes for counter display.

**ROBINSON'S PURE LARD. ENGLISH-REFINED**

IN BULK		Price per cwt.	IN PACKETS (Boxes contain 28 lb. net)		1 rice per cwt.
2/28 lb.	wooden cases		Size		wooden cases
28 lb.	cartons				
14 lb.	cartons				

Price ex Manchester, London, Bristol, Cardiff, or Swansea.

Special Discount for Lard only: 2d. in the £ for Cash in 7 days; 1d. in the £ for Cash in 28 days.

Signed for THE STAR SUPPLY CO.,

Robert Jones,

Manager.

to the knowledge of the parties are in some other place, then that place is the place of delivery.

Under a contract of purchase, both parties enter into an obligation—the seller to hand over the goods and the buyer to accept them. Where the seller is authorized to send the goods to the buyer, delivery of them to a carrier whether named by the buyer or not for the purpose of transmission to the buyer is *prima facie* deemed to be a delivery of the goods to the buyer. Unless otherwise authorized by the buyer, the seller must make such a contract with the carrier on behalf of the buyer as may be reasonable having regard to the nature of the goods and other circumstances. If he omits to do so, and the goods are lost or damaged in the course of transit, the buyer may either—

- (1) Decline to treat the delivery to the carrier as a delivery to himself; or
- (2) may hold the seller responsible for damages.

The purchase itself is effected when the order is received by the seller. It is not necessary for the seller to give a formal acceptance of the order. An acknowledgment or confirmation of the order is customary only in the case of a future delivery or if the goods are not in stock, and usually takes the form of a post card worded in a manner similar to that of the example given on page 36. If, for some reason or other, the seller cannot accept the order, he must notify his customers without delay. Otherwise, silence signifies the acceptance of the order. The cancellation of an order when once given is subject to the same legal rules as the revocation of an offer.

The *form* of an order may be in writing, or by word of mouth. In any case, the greater stress must be placed on clearness. There must be no doubt about the quality, quantity, and condition of the goods, nor as regards the mode of transport, the time of delivery, and the conditions of payment. Although these particulars may be contained in the offer, a cautious business man will reiterate them in his order. Of course, such reiteration may be dispensed with in the case of a connection of long standing. Where there is an order according to sample, i.e. if an offer with a sample has preceded the order, it is sufficient to make reference in the order to this sample. Where the orders are transmitted through the post, the customer has the choice between a letter, post card, telephone, or the telegraph. A written order is the cheapest and most usual, and the telegram

the dearest; but in certain cases, it is the most preferable. The ordering of goods by telephone, especially locally, may be the most convenient, although not the most reliable method.

Telephone: LONDON, ROYAL 1351

Telegrams: "EXCELSIOR," LONDON

## SQUAIR, DEALER & SONS, LIMITED

18 EASTCHEAP,

LONDON, E.C.3

NB/MM.

.....30th November, 19—.....

*The Star Supply Co., Cardiff.* .....

Dear Sirs,

We beg to acknowledge receipt of your esteemed order No. .... B 821 for 112 × 2 lb. bags *Lyle's Granulated Sugar* at 25/9 per cwt..... which shall receive our best attention.

Yours faithfully,

SQUAIR, DEALER & SONS, LTD.,

N.B.

**KINDS OF PURCHASE.** A distinction is drawn between the following forms of purchase—

1. **Purchase by Sample.** In the case of a contract for the purchase of goods by sample, three conditions are implied—

- (a) That the bulk shall correspond with the sample in quality;
- (b) That the buyer shall have a reasonable opportunity to compare the bulk with the sample; and
- (c) That the goods shall be free from any defect rendering them unmerchantable which would not be apparent on the reasonable examination of the sample.

2. **Purchase by Description.** Where there is a contract for the purchase of goods by description, there is an implied understanding that the goods shall correspond to the description, and if there be a purchase by sample as well as description, it is not sufficient that the bulk of the goods correspond with the sample if they do not also correspond with the description.

3. **Purchase on Approval.** Where goods are delivered to buyers on approval, the property passes to the buyer when he signifies the acceptance to the seller or does any other act adopting the transaction. If he retains the goods without giving notice of rejection, then if a time has been fixed for the return of the goods, the property in them passes on the expiration of this time, otherwise, it passes on the expiration of a reasonable time.

4. **Purchase on Trial.** Where a person buys a small quantity of goods on trial, the trial points to the fact that he intends to buy more; but it does not bind him to anything, even though he is perfectly satisfied with the goods. If, on the basis of such a trial order, a larger order follows, it becomes a purchase by sample.

5. **Purchase "all at."** This means that the buyer purchases the goods without examining their quantity or quality. He purchases the goods with all their faults or as they stand. If the seller does not make any untrue statements in respect to them, he is not responsible either for the quantity or the quality of the goods. Such parcels of goods may be derived from bankruptcies, partnership dissolution, or from auction.

6. **Purchase with Reservations.** The peculiarity of this form of purchase is that the contract is concluded on the understanding that the buyer has to supply further details, concerning the form or measurement of the goods. If the buyer does not fulfil the obligations, the seller may give him a time limit, on the expiration of which the latter is entitled to demand damages from the buyer for non-fulfilment, or he may cancel the contract.

**THE DELIVERY OF THE GOODS.** From the moment of delivery the buyer bears the risk of the loss or deterioration of the goods if, at the request of the buyer, the seller has to send the goods to another place—the place of fulfilment, the goods are considered delivered as soon as they have been handed over to the forwarding agent, the carrier, or to any other person appointed by the buyer. At this point all risks pass over to the buyer, and we frequently find on the invoice the words "we are sending for your account and risk." The buyer may give the sender special instructions as regards the method of transport. If the seller deviates from these instructions for some reason or other, he is responsible for the damage resulting therefrom.

The expense of delivering the article sold, especially the cost of measuring and weighing, are charged to the seller's account; whereas the cost of accepting or taking over, and forwarding the goods from the place of fulfilment to the destination demanded by the buyer, has to be borne by the buyer.

The time of delivery of the goods is mentioned in the contract of purchase either by the insertion of a certain date by which the goods must be delivered, or it is not mentioned. Upon this fact depend

the rights and duties of the buyer—if the seller does not deliver the goods at all or not at the proper time, or within the time stipulated. The point is whether the seller is behind times, i.e. whether it is his own fault that he has omitted to deliver. If the date of delivery is not stipulated, and the seller delays delivery, the buyer has the following rights—

1. He may sue for delivery with compensation for delayed delivery.
2. He can stipulate a date on the understanding that after its expiration he will not accept the goods.

If, on the expiration of this period, the goods are not delivered, the buyer can either claim damages for non-fulfilment, or he can cancel the contract. After this date the seller cannot claim the right to deliver.

When the date of delivery has been legally fixed a firm contract exists, and on the expiration of the date specified the buyer can immediately proceed as follows—

1. He may cancel the contract irrespective of whether failure to deliver was or was not the seller's own fault.
2. He may insist on fulfilment of the contract if he demands the fulfilment from the seller immediately after the expiration of the time of delivery.
3. He may claim damages for non-fulfilment if he has stipulated the date of delivery to the seller and the latter has failed to deliver.

**RECEIVING THE GOODS.** Where the seller has delivered the goods in accordance with the contract, the purchaser must accept them. If he refuses to accept them, the seller has the following rights—

1. He may warehouse the goods at the cost and expense of the buyer in a public warehouse or in any other place of safety.
2. After giving previous warning, he has the right to dispose of the goods by public auction, and both the buyer and the seller may bid for them. For this reason the date of the sale must be communicated to the buyer. Goods which have a market or exchange price may also be sold through a broker.

The incoming consignments must be subjected to inspection immediately on their arrival. This should take place, if possible, in the presence of the carrier. Where the damage is apparent, a notification should immediately be given to the carrier, otherwise compensation may be refused. For internal damage, a time limit is usually allowed within which the claim can be made. This is

usually specified in the terms and conditions of sale, and also on the invoice for the goods, thus—

No claim on account of short delivery, damage in transit, or other causes will be admitted unless made within three days of delivery of these goods.

Another example is the following—

**Attention is drawn to the following extract from the Railway Company's Conditions:** "No claim in respect of goods, for loss or damage during the transit, for which the company be liable, will be allowed unless the same be made in writing within three days after delivery of the goods in respect of which the claim is made, such delivery to be considered complete at the termination of the transit as specified in Condition 6, or, in case of non-delivery, 14 days after dispatch."

Please comply with above conditions.

The inspection of the goods should also have reference to the fact as to whether the right quantity and quality have been delivered, so that the buyer can safeguard his rights towards the seller. The goods are thereupon transferred to the stockroom. It is in the interest of the retailer that the period of warehousing should be as short as possible, and that capital invested in the goods should not be tied up too long. Yet he cannot avoid a certain period of warehousing. Since it is the economic function of the trader to minimize the difference in time between production and consumption, it is the duty of the dealer to take the goods after production off the hands of the producer, and to warehouse them until they are required for consumption. This, however, is more the task of the wholesale trade. Sufficient quantities of goods must be kept in stock by the wholesaler in order to meet the wants of the retailer.

The retailer, generally speaking, can content himself with a small stock, and in many cases he can even dispense with special warehousing arrangements if he has got sufficient room in his shop to store adequate quantities of goods for immediate demand. This applies especially to such goods as are kept in stock by wholesalers or manufacturers and which need not be made specially, as also of comparatively high-priced articles such as articles of clothing. Another point which determines the quantity of goods to be kept in stock is the fact whether the goods can be procured easily and quickly. A retailer who buys his goods locally can afford to keep a smaller stock than one who has to obtain them from a distance. The greater the distance of the suppliers, and the greater the time



spent in the transport of the goods, the larger will have to be the amount of stock. As the retailer who has his shop in a good position pays a very high rent, he may endeavour to keep his stock-room separate from his shop, and may transfer it to another part of the town where the rents are not so high.

### TEST PAPER III

1. What factors help to promote good buying? Show how these are bound up with the prosperity of a trader's business.

2. When a trader receives a quotation, what factors should he take into consideration before deciding to purchase? Discuss one of these factors.

3. Criticize the business maxim: "Buying in the cheapest and selling in the dearest market."

4. "The object of purchasing is to have all of the necessary articles in stock and yet never be overstocked in any of them." What measures would you take to realize this ideal in practice?

5. What are the factors which determine whether a trader shall hold large or small stocks of goods? State the advantages and disadvantages of carrying a heavy stock.

6. Mention the points which a wise retailer bears in mind when deciding the quantity of a certain article he shall buy. What are the main conditions of sale? In your answer emphasize the points to which a purchaser should give special attention.

7. State the essentials of a contract. Jones writes to Brown: "I will sell my wireless set to you for £12 cash." Brown writes to Jones on the following day: "I agree to buy your wireless set for £12, but you must give me an extra valve with it," and encloses £12 in bank notes. What is the legal position of the party as regards these two letters?

8. Jones Bros., who are retail grocers, sell 10 cases of a certain brand of soap every week. By buying 100 cases at a time, a discount of 5 per cent can be secured. Do you consider that 100 cases should be bought at once? Give your reasons.

9. Explain fully the purpose of an invoice. Rule up an invoice form and enter the following particulars. Deduct  $2\frac{1}{2}$  per cent discount from that part of the total subject to discount and show net amount.

Date.....12th January, 19.....

Sellers.....*The Crown Boot Company, Ltd., Haydock Works, Leicester.*

Buyers.....*J. A. Hobson & Co., 119 High Road, Balham.*

Terms..... $2\frac{1}{2}$  per cent prompt cash.....

$5\frac{1}{2}$  doz. Women's Overshoes @ 3s. 10 $\frac{1}{2}$ d. pair.

$7\frac{3}{4}$  doz. T. 187 Girls' Shoes @ 16s. 10d. pair.

$3\frac{1}{2}$  doz. L. 189 Box Dbys. @ 15s. 8d. pair.

$2\frac{3}{4}$  doz. M. 327 Ladies' Glace Dbys. @ 13s. 7d. pair.

$1\frac{1}{2}$  doz. C. 573 Ladies' Box Bals. @ 10s. 5d. pair.

Carriage to address, £1 10s. 6d.

10. Draft a letter under date 15th January, 19....., as from J. A. Hobson & Co., to the Crown Boot Company, Ltd., acknowledging receipt of the goods in the above question, and thanking them for their prompt attention to your order. Point out that they have omitted one line from your order, viz., 3 doz. Mens' Bluchers at 13s. 9d. per pair, which happens to be the one line of which you are in the most urgent need, and express the hope that delivery will not be delayed as you have several unexecuted orders for these boots on hand.

11. Draw up a form of cheque as from J. A. Hobson & Co. to the Crown Boot Company, Ltd., for any amount you like. Make the cheque as safe a document as you can, and explain fully your reasons for the precautions you adopt.

12. Draft a form of receipt such as the Crown Boot Company, Ltd., would send to J. A. Hobson & Co. in respect of their remittance in the last question, assuming that the latter had erroneously deducted 5 per cent from the gross amount, subject to discount, instead of  $2\frac{1}{2}$  per cent.

13. Below is given part of a page from Messrs. Preston & Sons' Price List. Assume that you are a retail grocer and order a selection of goods from this part of the price list. Draft the whole of the correspondence and the documents that will pass between you and Messrs. Preston up to the completion of the transaction.

PRESTON & SONS, LTD.

IMPORTERS AND WHOLESALE PROVISION MERCHANTS

ALBANY ROAD, HULL

Terms:  $2\frac{1}{2}$  per cent for payment within ten days.

PRICE LIST (continued)

*All prices are subject to alteration at any moment.*

BACON		HAMS	
Irish Sides. . .	126/-	Short Cut . . .	99/-
Danish . . .	118/-	Longs . . .	96/-
Canadian Wilts . .	98/-	Squares . . .	70/-
Cumberlands . .	96/-	Picnics . . .	68/-

14. You are a general hardware dealer engaged in the Retail Trade, and you decide to run a special line in enamelled goods. You therefore get into communication with Enamel Ware, Ltd., Birmingham, and finally place an order with them for kettles, pans, jugs, bowls, etc. Draft the whole of the correspondence and the documents that will pass between you and this Company up to the completion of the transaction.

## CHAPTER IV

### SALE OF GOODS IN THE RETAIL TRADE

ALTHOUGH in many respects the methods of buying in the retail trade resemble those of the wholesale trade, the means and methods of selling are widely divergent. The wholesaler who buys his goods from the producer or from the middleman is confronted by a variety of methods of sale, and he, therefore, chooses forms of dealing which are closely akin to those employed in buying. The retailer, who is the last link in the chain of commercial organization between the producer and the consumer, can avail himself on the buying side of various means to supplement his stock, but on the selling side he has to rely solely upon the final buyer, i.e. the consumer. The chief way in which he approaches his customer is through the medium of the retail shop. Another important avenue is also through the mail order business. We shall here discuss the means by which the retail shop secures the greater part of its customers.

**GENERAL PRINCIPLES OF PRICE FIXING.** The aim of every trader is to derive as much ultimate profit as possible from his business. As profit consists in the difference between the cost price and the selling price of the goods, it would seem to be the greater the cheaper the trader buys and the dearer he sells. The apparently self-evident maxim, "To buy in the cheapest and sell in the dearest market," contains dangerous pitfalls as will be revealed on closer examination. In the first place, the lowest quotation is not always the best. A new supplier may submit a low quotation simply as a bait, whilst his reliability leaves much to be desired. Furthermore, the consumers may have become so habituated to the goods of the former supplier that it would not pay to provide them with a different class of goods for the sake of a small saving in price.

Still less desirable is strict adherence to the second part of the above maxim which advocates "Selling in the dearest market," for the number of customers will naturally decrease with the rise in price. If the trader is content with a small profit on each individual transaction, the resulting larger and speedier turnover will not only recompense him, but will lead to a considerable increase in his total profits. From these considerations it follows that the

adoption of the principle of "Small profits, and a large and speedy turnover," is not only in the interest of the trader, but also in the interest of the community. It is in the interest of the trader to create and maintain the largest possible circle of customers, for on this will depend the magnitude of his turnover. The more suitably he equips his business and the better he serves the public, the greater will be his success in acquiring customers and in ensuring for himself a large ultimate profit.

In fixing the prices, however, a number of considerations must be kept in mind, the chief of which are the following—

1. **The Cost of the Goods.** It is obvious that the cost of the goods to the retailer is the fundamental factor in determining the selling price, and unless this cost is covered, no concern can remain long in existence. If, through one cause or another, the selling price is forced down so that the goods show little or no profit, the retailer must overhaul his expenses, or seek cheaper sources of supply to enable him to compete on more favourable terms. If the advantage of his competitors is such that it cannot be met by these methods, then it is better for the dealer to abandon this line and concentrate on one which is more remunerative.

2. **The Prices of Competitors.** A second factor which exercises the greatest influence on price fixing is the price charged by the competitors of a business. Unless the goods in question are of a superior quality, or have a better reputation than competing articles, the retailer will be able to charge little more than his competitors, and will usually aim at bringing his prices into line with those of other concerns. Although, as a rule, prices must be as low as those of competitors, this fact does not render any less important the accurate measurement of the cost of the goods and of all the expenses of doing business. These costs must be known, and, furthermore, known with accuracy, in order that any weaknesses in the organization may be revealed. If it is found that the cost will permit the article to be sold at a lower price than that of competitors and still leave a reasonable profit, the question immediately arises: Should the price be lowered or should the retailer be content to avail himself of the greater margin of profit? On general principles, the retailer should lower his price in attempt to stimulate demand and increase his turnover. If, however, the demand for the article is relatively inelastic, and the diminution in price is insufficient to

induce greater sales, the retailer merely diminishes his profit to no useful purpose, and in such a case it would seem that he has a perfect right to reap the benefits of his superior business ability in the form of increased profits.

**3. The Quality and Reputation of the Goods.** Most common articles, especially those handled by the retailer, are available in a variety of qualities with a corresponding range of prices. Indeed, it is usually assumed, often fallaciously, that the price is an index of the quality. It is well known that many shops which have the reputation for high-class trade, and enjoy the advantages of a situation in the heart of a fashionable shopping centre, can command much higher prices for articles which, in less exclusive quarters, are sold much more cheaply. To a certain type of mind there is a close association between price and quality, and such people invariably choose the dearer article in order to obtain, as they imagine, the best quality, without any further examination. In like manner, an old-established article which, by virtue of much advertising and of being kept in the public eye over a long period of years, often without a serious competitor, will often command a greater price than a new article, even though the latter is equally, or possibly, more efficient.

**4. Customary Prices.** When fixing the price of an article, the price which consumers have been accustomed to pay has often to be taken into consideration. It is frequently good policy to change the quality or size of the package of goods rather than alter the price, where this is firmly established by tradition. Thus, e.g. if a heavy tax were imposed on tobacco necessitating a rise in price, it would probably pay the makers of a popular brand to keep their prices fixed and change the quality or the size of their cigarettes, rather than directly increase the price. In like manner, the popular price of a daily paper is one penny, and if the costs of newspaper production should rise, it would have less serious effects on circulation if the size of the paper were diminished, rather than that the price were increased, say, to twopence.

**WORKING EXPENSES.** Intimately connected with the question of price fixing is that of the working expenses, for until these are known with accuracy, there is no sound basis for fixing the selling price. Yet, despite the importance of accurate knowledge on this subject, very few small dealers take the trouble to acquire any

useful information bearing upon it. Many are perfectly content, at the end of each year, to make a rough-and-ready calculation of their net worth, i.e. the difference between their assets and liabilities. The aim of good business management is the maintenance of the working expenses of the business at the lowest possible level. This endeavour to reduce the working expenses benefits not only the individual entrepreneur, but also the whole national economy, for such a reduction exerts a favourable influence on prices. A recent Government report<sup>1</sup> emphasizes the importance of the costs of retail distribution in so far as they affect the general level of prices in the home market, for this price level, other things being equal, determines the effective spending power of the consumer and the home demand for the products of industry.

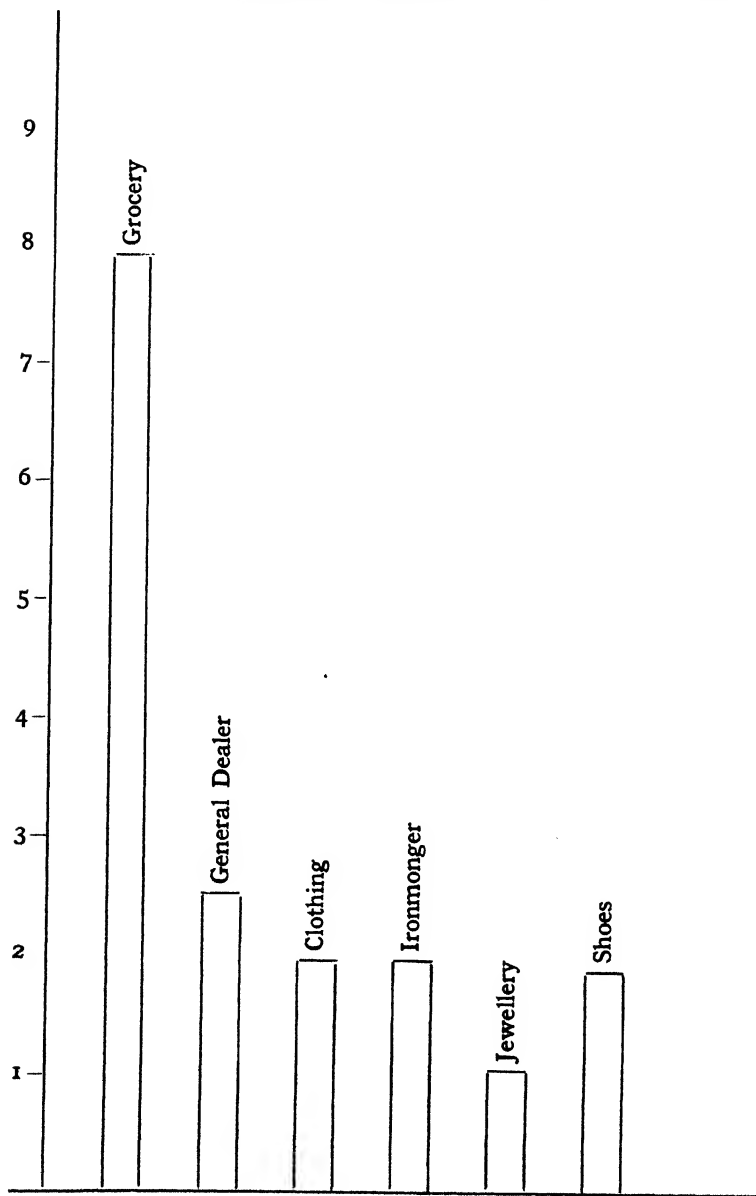
The cost of distribution is made up of the various working expenses of the business, though there is lack of uniformity as to the items included under this heading. Thus, some dealers pay themselves salaries which then go to swell the expenses, but others, on the contrary, allow themselves no salary, but apply the whole surplus as a profit. Nevertheless, although this lack of uniformity exists with regard to the precise nature of individual items of expense, the working expenses taken in the aggregate may be said to vary with the work done, the rapidity of sales, and the risk run by the undertaking.

(a) **The Work Done.** The working expenses vary with the services rendered to the customers. These vary according to circumstances, and appear to be on the increase. In the provision trade, for instance, there appears to be an increase in the sale of packet goods made up by the manufacturers or wholesalers ready for retail disposal. The public are to an ever-increasing extent having their purchases delivered, whilst the wares are brought to their attention through the medium of catalogues, circulars, and price lists.

(b) **Turnover.** The dealer who operates his shop efficiently, uses the staff advantageously, his space economically, and selects his stock with care and turns it over rapidly, will have a lower percentage of expense than his less efficient competitor. The rapidity of turnover varies from trade to trade, and, to a smaller extent, between one establishment and another in the same trade. Thus, a boy selling

<sup>1</sup> *Further Factors in Industrial and Commercial Efficiency*, Committee on Industry and Trade.

**DIAGRAM ILLUSTRATING THE DIFFERENCE IN THE  
TURNOVER IN VARIOUS CLASSES OF RETAIL BUSINESS**



newspapers can turn his stock over several times in one day, while a greengrocer may do so twice in one week. The dealer in goods for which there is a seasonal demand may only turn his stock over once or twice in the course of a year. The important point, as already stated, is that a quicker turnover enables a smaller margin of difference between cost and selling prices to yield an equally satisfactory return on the capital employed in the business, and, at the same time, reduces the risks arising from fluctuations in price and demand.

(c) **Risks of the Undertaking.** To a certain extent the retailer must purchase stocks in anticipation of demand, and by so doing takes upon himself the risks of fluctuation in price and demand. These risks, of course, are greater in some trades than in others, and usually fall with greatest weight upon the wholesaler and the manufacturer, but the retailer cannot altogether escape them. Typical of these risks are those borne by dealers in articles of clothing, the demand for which is peculiarly susceptible to changes in fashion and style. Other risks of business tending to increase working expenses are the risk of bad debts, or of deterioration of stocks. Again, those businesses situated at seaside or other holiday resorts, which are accustomed to do most of their business in the holiday season, run considerable risk of loss through a period of bad weather or industrial depression which restricts the number of visitors.

It is difficult to obtain comprehensive and accurate information as to distributor's costs, and the diagram on page 48 shows the relative proportions of the various items in a retail business, giving the principal items included under each heading. Here, expenses of distribution comprise outlay other than in the purchase of goods to be offered for sale. Their importance, when expressed as a percentage on total sales, depends largely on the degree of success of the business in securing the volume of trade for which it is equipped.

**FIXING PRICES.** The gross profit which is realized by any particular undertaking depends upon the *mark-up* policy, the prices which are actually realized, and the fluctuations in the prices of the goods handled. It is, at this point, necessary to draw a distinction between what is termed the *gross profit* of the retailer, and the *mark-up* which he employs in order to realize it. Mark-up may be defined as the amount, usually expressed as a percentage of selling price, which is added to the cost price of goods in fixing the price



**DIAGRAM SHOWING THE PERCENTAGE COSTS OF DISTRIBUTION  
OF A RETAIL GROCERY AND PROVISION BUSINESS,**  
Grouped under four main headings. (Turnover = £5,300)

Miscellaneous Expenses	6 per cent	
Selling Expenses	10 per cent	{ Cost of Delivery Advertising and Agency Printing and Stationery Travelling Expenses Postages Telegrams Telephones
Establishment Charges	42 per cent	{ Rent and Rates Power Heating Lighting Water Insurance and Repairs Maintenance and Depreciation
Labour Expenses	42 per cent	{ Wages Salaries State Insurance

at which they shall be offered for sale. Gross profit, on the other hand, is the difference between the net sales and the cost of the goods sold—a figure which is also usually expressed as a percentage of selling price. The mark-up policy varies with the class of goods handled and with the individual retailer, and it appears that it is rare for a trader to employ a uniform mark-up to all the goods he has for sale. Even where a limited range of goods is stocked, different margins are obtained in respect of them, and generally it is the case that goods have to be marked at a price which it is thought they will realize rather than on the basis of any fixed percentage. Thus, in the grocery business, for example, a uniform mark-up on the various kinds of goods cannot be employed. Sugar, for instance, is frequently sold at a very small addition to cost, whilst the rate of profit on tea varies according to the quality. This applies to other articles as may be seen from an inspection of the following—

## COST AND RETAIL PRICE OF BISCUITS

Cost Price per cwt.	Retail Selling Price per cwt.	Profit per cwt.	Mark-up
143/-	168/-	25/-	15 per cent
223/-	260/-	37/-	14 "
107/-	130/-	23/-	18 "
79/-	93/-	14/-	16 "

Yet, though the mark-up may be fixed at a certain percentage for any particular article, the average percentage of gross profit realized depends upon the prices actually received when the goods are sold. Goods may be marked for a high percentage of gross profit, but prices may have to be reduced in order to clear the stocks, so that the average gross profit is reduced. Thus, in the fashion trades which are largely seasonal, the retailer marks them to realize a high percentage of gross profit at the opening of the season, so that his margin is often very much above the average. Towards the end of the season, the stocks have to be cleared by reducing prices until they are sold, and the prices now yield less than the average margin and sometimes even represent a loss. Hence the mark-up percentages vary for different articles at the same time, and even for similar articles at different times.

After the prices have been fixed, the goods offered for sale in the

shop must be marked with their respective prices, either by attaching a small ticket or label to the goods or to the wrapper. To this price further particulars are frequently added, such as the origin of the goods, the date of receipt, the cost price in cypher, and any other particulars considered necessary. Where such marking of the individual items is inadvisable, price tickets or price lists may be provided. There should be no hesitation in giving a price to the customer, so that some means of ascertaining it should be available. To omit to provide such means is to trust to memory, and even the best memories are likely to fail at times. The customer, however, prefers to see the price marked on the goods without having to ask the salesman for it. For this reason it is better to mark the prices clearly so that they can be easily understood by the customer. In this respect the pioneers have been the departmental stores, and a similar remark applies to the adoption of the principle of fixed prices which has led to the abolition of higgling. The secret marking of prices prevents the customer from making comparisons, and may give rise to the suspicion that different prices are charged to different customers. Such methods are out of place in modern business. The retailer who allows a rebate to the customer who higgles commits an injustice upon the customer who pays the price marked on the goods.

**METHODS OF INCREASING THE TURNOVER.** When the goods are ready for sale, it must be the trader's object to draw customers by skilful display methods. He must attract their attention to his business by presenting his goods in the most striking way possible. It is necessary to get the customer interested in some specific article, since the customer will not wish to make purchases covering a whole category of goods. Drawing the attention of a customer is the first step in a sale, but if the trader employs his ingenuity, attention has already been attracted before the customer ever comes into the shop. The customers of a retail shop may be broadly divided into three groups according to their mental attitude when they enter the premises, namely—

1. Customers who know what they require when they come into the shop, and simply require to be attended to promptly and accurately. The customer has made up his mind as to the precise nature of his purchase, and all that is left for the shop to do is to give the customer what is asked for and receive the money. It follows that,

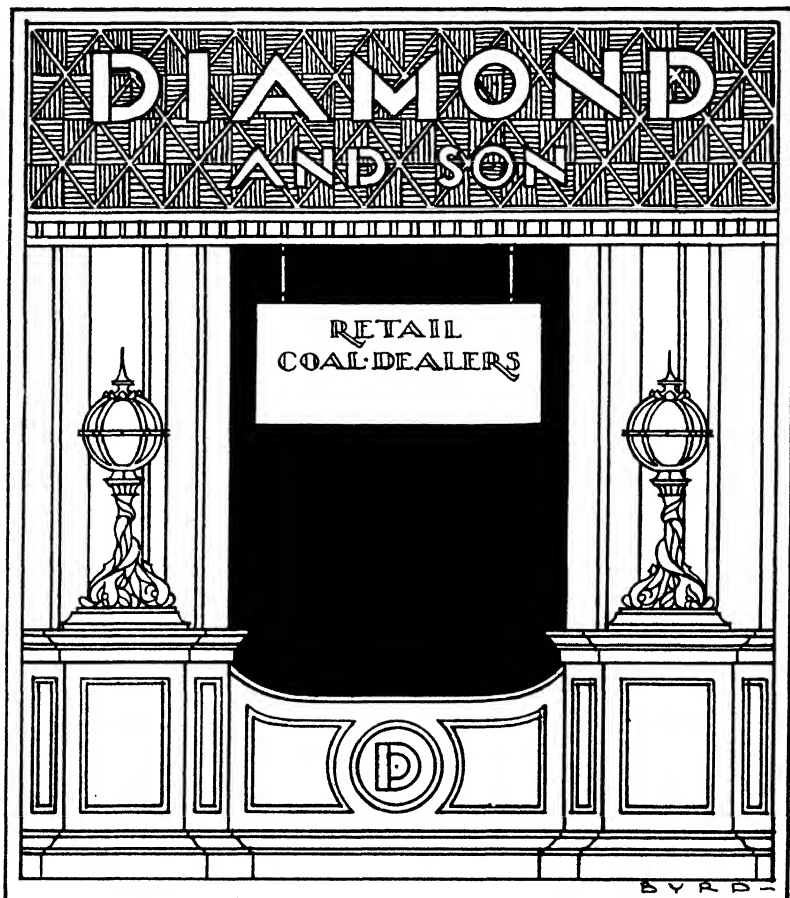
in order to serve this type of customer properly, the salesman must have a thorough acquaintance with his stock, not only in regard to its nature, but also of the precise location and prices. Any hesitation on the part of the salesman will make an unfavourable impression on this type of customer.

2. Customers who have certain requirements, and who need the attention of the salesman who can present the goods available in such a way as to enable them easily to satisfy their needs. In other words, the customer is prepared to make a definite purchase if only the proper goods can be found. This type of customer makes greater demands upon the ability of the salesman, for now he must not only know his stock thoroughly, but must also be acquainted with the uses and characteristics of his wares. He must possess the faculty of being able to visualize the needs of the customer, and know the extent to which the goods in stock can adequately meet these needs.

3. Customers who have originally no intention of buying, but whose interest is stimulated in a particular article by one means or another. It is upon sales made to this type of customer that the success of many businesses depends. The customers of this and the preceding group constitute the majority of shoppers, and it is for the benefit of these that the methods outlined below are adopted. It is the object of every trader to attract as many of these consumers as possible to his shop, and for this purpose he adopts some or all of the following devices—

(a) **The Window Display.** The window is the face of the shop, and as a means of attracting attention may be used with considerable success. Effectively decorated and arranged, the window display is the most potent means of stimulating the wants of the passers-by, and of inducing prospective customers to enter a business which is new to them. In general, there is a tendency among retail traders to utilize their window space to the fullest extent, and even the pillars and the columns of the building are frequently provided with show cases. It is only natural, in view of the high rents which are charged in these days, that the shopkeeper should strive to exploit his accommodation to the utmost. It is still desirable, however, that more consideration should be paid to the architectural and external appearance of the business than is the case at present. There is no doubt that, apart from the suitable shape of the fixtures and fittings and the arrangement of the goods, nothing is more

effective than colour for producing a striking window display. Everyone, therefore, who has any dealings with show windows should possess a knowledge of the most important principles of the



science of colour. It is not sufficient to display the goods in the window, but the selection and arrangement should give the public a good idea of the taste of the proprietor. In this way, the prospective customer may be inspired with confidence. The colour scheme in itself is a valuable aid in business. A woman who wishes to buy dress materials may have made up her mind what sort of

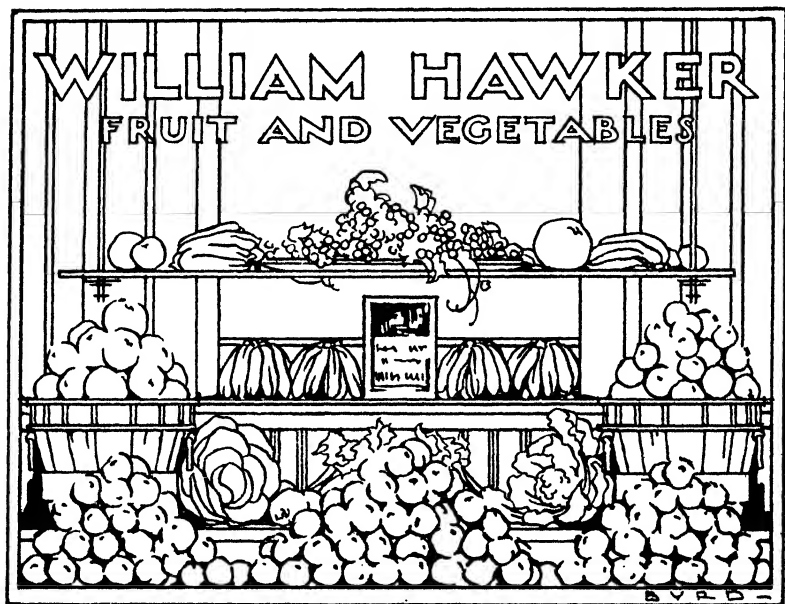
material she requires, but is open to receive advice in regard to colour. A tastefully arranged window display may go far to arouse wants in a new customer, and may strengthen the confidence of the old ones.

Although it is customary for the retailer to utilize to the full extent his window space, there are some businesses which have few, if any, goods to display, and which must necessarily confine themselves merely to an indication of the nature of the business. Attention is naturally paid to this fact where the premises are specially planned and equipped for a particular business such as a small bank, or a barber's shop. In many cases, however, the lessee will have to put up with large shop windows, and he must, therefore, try to adapt them to his purposes as best he can. Under these circumstances it is sometimes possible to fix up a window screen or curtains, or the windows may be covered with semi-transparent paper. The illustrations on pages 52 and 54 bring out the contrast between the window display of a retail coal dealer and that of a retail fruiterer. In the former case, there is little point in displaying the goods, but in the latter, their proper arrangement in the shop window is one of the chief elements of success.

(b) **Internal Equipment of the Shop.** The internal equipment of the shop should rival the window display. A merchant cannot tell all about his goods in a newspaper advertisement, nor even in a catalogue; neither can he put all his goods in the windows. There are many articles which the customer will purchase after coming into the store, provided that he is reminded that they are on sale by seeing them attractively displayed. In this respect again the departmental stores have been the pioneers. In the first place they have had their stores designed by first-class architects, and offer to the public all sorts of amenities. The distribution of the departments in the various parts of the building is also of importance. The most desirable goods are usually exhibited on the ground floor where their sale is facilitated, and in the basement are to be found the bargain sales. In order to induce the customer to visit the upper floors, the food-stuffs, the refreshment rooms, the lending library, the bureau for theatre tickets, and other institutions serving as propaganda are there to be found.

(c) **Salesmanship.** The nature and method of selling is an important factor in the building of a business reputation, and in this connection

we may say that the customer should be treated neither with disdain nor with excessive servility. He should not be forced into buying, nor should any annoyance be manifested if he should leave the shop without effecting a purchase. Unhampered access to the shop and the feeling that he need not buy unless he likes, has been the means of procuring many a customer for the stores. However vast the wider selling organization of an undertaking may be, it



cannot be successful without efficient personal salesmanship. Conservatism has to be overcome in placing new products or specialities on the market, for which a demand has to be created by the salesman, while competition for orders in staple goods often makes the success of a line a matter of individually superior selling power.

(d) **Suitable Advertising.** Finally, the buying public, even if they do not come into direct touch with the business, must have their wants stimulated in order to encourage them to pay a visit. Such invitation may be given through the medium of a newspaper advertisement, or by the distribution of price lists, catalogues, and other similar means. The choice of the most suitable medium at the opportune moment may exert a far-reaching effect.

(e) **Special Bargain Sales.** Another means for stimulating the demand of customers is the holding of periodical bargain sales at which goods are offered at greatly reduced prices. Examples of these are the stocktaking and end of season sales. In these sales appear not only shop-soiled goods, and those which must be cleared on account of the close of the season, but also job lots which have been purchased from manufacturers or wholesalers, and which can, therefore, be offered at low prices.

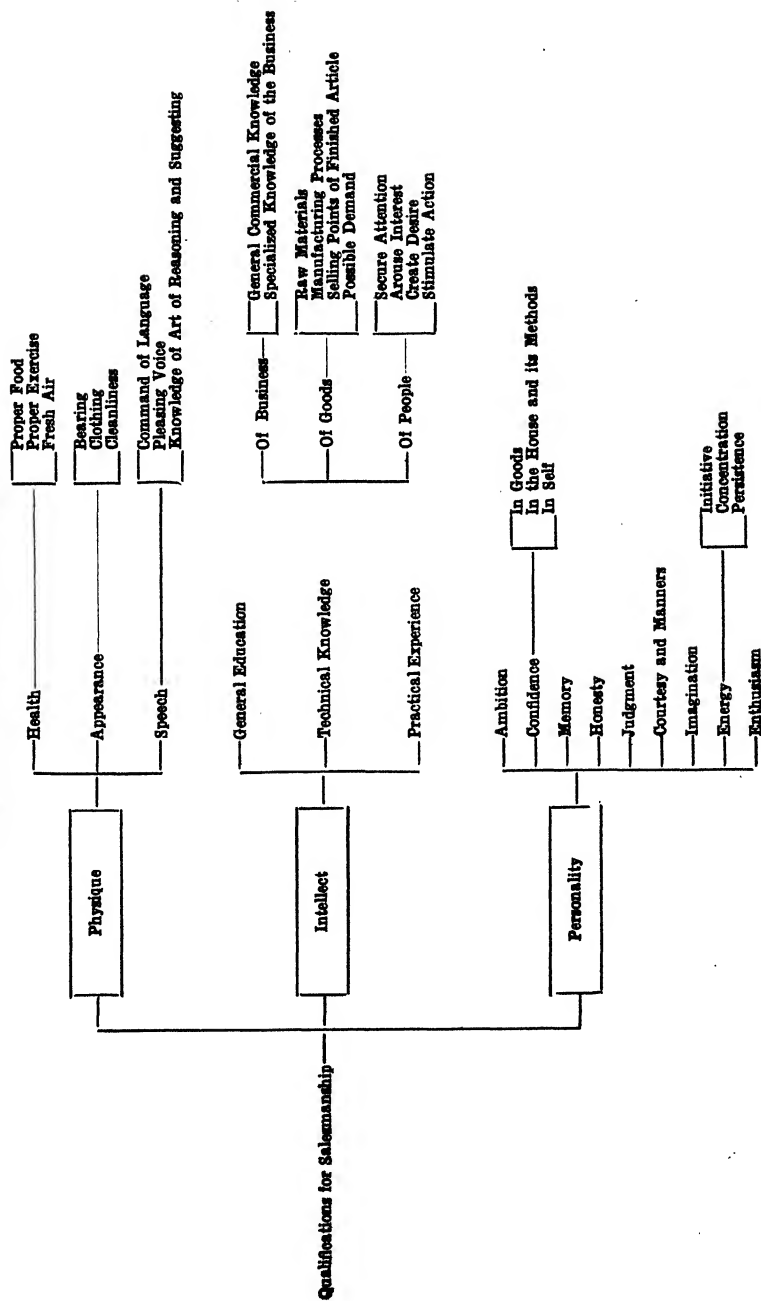
**QUALIFICATION OF THE SALESMAN.** In order to achieve success in retail salesmanship, the possession of certain elements of personality, character, and training is necessary. Although good salesmanship calls for strong natural endowments, persistent training and study are also essential. The diagram on page 56 attempts an analysis of the qualifications of a successful salesman, and the chief points will now be considered.

(a) **Physique.** Personality and character cannot rightly be judged at a glance, but a person's appearance can be judged instantly, and from this most people will draw conclusions in regard to other matters. A good physique, well balanced, and its action well under control, always creates a pleasing impression. The salesman who carries himself well and displays energy and alertness by his manner is likely to gain the confidence of the customer. Closely allied with this is the requirement which salesmanship, like every other activity in life, demands—physical health. By health is meant not only freedom from disease in all its forms, but an abundance of surplus energy, and the ability to use muscle and mind with vigour, coupled with that control which prevents the expenditure of more energy than is necessary. This condition is the outcome of the right kinds and amounts of food, clothing, shelter, air, sleep, and mental attitude and exercise.

The amount of care taken with regard to dress has an important influence on the appearance of the salesman and, consequently, on his ability to create a favourable impression on a customer. Scrupulous personal cleanliness is quite essential, especially where the sale of articles of food is concerned, or those which are easily soiled. Some of the large stores go so far as to lay down definite rules concerning the dress of salespeople, in order to secure uniformity and avoid the lack of taste on the part of individuals displeasing customers.



# QUALIFICATIONS OF A SALESMAN



The salesman should cultivate a pleasing mode of speech and, above all, should be careful to speak distinctly. Clear enunciation is largely a matter of practice which has been continued long enough to make it habitual to pronounce words clearly. An easy natural tone, without mannerisms and without peculiar inflections, will make a pleasing impression on the customer. The salesman should, by wide reading and constant practice, constantly attempt to improve the quality of his English and the scope of his vocabulary.

(b) **Education.** In these days, conditions of life make increasing demands on the education of the individual. It follows that no salesman can afford to neglect this branch of his training and must possess, as one of the first essentials, a sound general education. This gives to him a fund of knowledge and a power of mind which may not be directly applicable to business situations at once, but which become extremely valuable after receiving business experience. In addition to this general education, the salesman must further acquire a specialized knowledge. This may take the form of a general course of commercial education which implants a knowledge of the broad principles of the basic commercial subjects, and, as a further development, this knowledge is utilized to study the needs of the particular business in which he is engaged. From the study of the business undertaking in which he is engaged, the salesman must next turn his attention to the goods which he has to sell. The selling-points of the articles must be known and thoroughly understood by the salesman. These points which are likely to command the attention of the customer may arise from the materials out of which the goods are made, from the processes which they undergo in the course of manufacture, or from the uses to which the finished article can be put.

The basis of the selling qualities of any article is the raw material out of which it is made, so that the salesman should know something of the qualities of any material which have caused it to be selected for making an article. Every raw material has certain characteristics which make it peculiarly fit for a particular purpose, and these often form the basis of selling-points concerning the finished product. Thus, the assistant in an ironmonger's shop may, with advantage, know the elementary properties of aluminium in view of the large number of goods made of this metal at the present day. The diversity of material used in manufacturing operations, and the wide

possibilities which exist for substitution, combine to make it extremely important for the salesman to know what tests and standards may be applied to goods, or what tests have been applied by the manufacturers. In this way greater confidence may be placed on the salesman by his prospective customer.

Finally, the salesman who would achieve the greatest measure of success must have a knowledge of persons—he must be something of a psychologist. Customers differ widely in their personal characteristics, in taste, in knowledge of goods, in their attitude towards the business, and in their likes and dislikes, all of which make it difficult for a salesman to be prepared to meet each customer effectively. No amount of theoretical training can be of material assistance to the salesman in this respect. Practical experience, used and interpreted with intelligence, is the only sure guide.

(c) **Personality.** In comparing the degree of success achieved by two different salesmen, it is often a matter of extreme difficulty to analyse the exact causes of their success or failure. Sometimes a certain individual may give a demonstration which is both good and convincing, make the uses of his article as clear as possible, while the prospective customer may be one who might be greatly helped by owning the article, and yet, after all, the sale fails. In contrast to this, a salesman may come along with a much poorer article, and make a sale. On what grounds are we to explain this difference?

Perhaps the most important factor in explaining the occurrence is that elusive combination of qualities and individual characteristics which, for lack of a better term, we designate as personality. No one is at all times governed by strictly logical principles, indeed, the reverse is generally the case, and the subtle influence radiated by the man selling the goods helps to make or spoil many a sale. To describe all the complex and varying qualities which combine to make up this personality would be an impossible task, while to attempt to picture the ideal personality would be equally futile. Although these characteristics are to a large extent the joint result of training and environment, we are, for the most part, unconscious of them, for there are few people who can undertake the introspective analysis which will reveal some of them.

Among the desirable qualities of personality, and one which is particularly important to the salesman, is tact. This may be defined as the ability to get on with people, to influence them, and to tell

them the truth without giving offence. A tactful person is one who can readily see the point of view of another man. Closely connected with tact is the quality of courtesy. Every customer rightly feels that he is entitled to receive courtesy from a salesman, and any shortcomings in this respect, no matter what the provocation may be, will always be resented. In this matter actions speak louder than words, and the manner in which the customer is approached, and the expression and greeting of the salesman, make a deep impression. Courtesy is also manifested by the willingness of the salesman to show different classes of goods to the customer, by his endeavour to visualize and understand the buying problem of the customer, and by the suggestions he puts forward when the article under examination does not meet the requirements of the client.

One of the chief qualities required in a successful salesman is enthusiasm. It has been said that: "Enthusiasm is the white heat which fuses all other good qualities into one effective mass." A man's enthusiasm is a direct proof of his interest in the goods, and the salesman who radiates this quality will stimulate it in those with whom he comes into contact. The salesman should also possess the qualities of cheerfulness and patience. No matter what demands are made upon the good nature and tolerance of the salesman, he should always maintain a cheerful air. Even at closing time, which is very frequently a busy time, or where the staff is short-handed and has to cope with a number of none too patient customers, the salesman is expected to keep a smiling countenance.

**PAYMENT FOR THE GOODS.** It is only in small businesses that payment for goods purchased is made across the counter. In large concerns, the cash register enables the customer to check the prices charged by the employees since the prices are registered automatically. This is a matter of less importance than that of whether the customer should pay in cash or whether he should be allowed credit. Here, as in many other things, the retailer may take an example from the departmental stores. In these establishments, cash is strictly enforced. Nevertheless, many small retail shops still sell on credit with the idea of attracting and retaining the patronage of their customers. In this way, the retailer often inflicts great injury upon himself without deriving any corresponding advantage; moreover, the interest of the customer is not safeguarded. The retailer who gives credit must of necessity lock up a considerable

portion of his capital in the form of book debts, and cannot pay cash to his suppliers. He must himself buy on credit, thus losing the benefit of discounts, or he may have to avail himself of a bank overdraft. Hence, he reduces his profit through the loss of interest, and incurs losses by the non-payment of some of his outstanding debts. He may try to neutralize these losses by increasing his prices, but, in so doing, he reduces his ability to compete.

The first customers he loses, if he cannot compete with other concerns, are those credit customers whom the retailer wanted to convert into permanent customers by the granting of credit; these will now take their money to the shops where they can effect their purchases more cheaply. The main exceptions to this rule are customers of the type who ultimately figure in the books of account as "Bad and Doubtful Debtors"—persons whose credit is so bad that they find it difficult to open accounts elsewhere, and who will extend their credit purchases as long as the trader will allow them. Yet, although a credit business may, in general, be undesirable, the retailer must exercise discretion in the matter. Credit may be justifiable in the case of clothing, furniture, and those articles the consumption of which is spread over a long period. Such articles may be acquired gradually by the payment of instalments out of the weekly or monthly savings.

**THE INSTALMENT SYSTEM.** This is a special form of credit adopted by many retailers. Under such a system a payment down is generally required on the delivery of the article, and the balance is paid off in weekly or monthly instalments, or is collected from the customer. Articles such as sewing machines, furniture, and similar articles cannot be acquired in any other way by customers with limited means. In such cases, the retailer restricts his risk of loss by reserving to himself the right to resume possession of the goods in the event of arrears of instalments. Of course, the customer has usually to pay a higher price if he buys on this system than if he pays in cash.

**SPECIAL REBATES AND DISCOUNTS.** Special inducements may be offered by the retailer to attract custom. Such inducements may consist in the granting of rebates or in price reductions of various kinds. As an allowance for the payment of ready money, they are justifiable and necessary in the business with a considerable number of credit customers. As an occasional rebate or selling price, they

## DIVIDEND STAMP SCHEME

We have introduced Dividend Stamps for the mutual benefit of Purchaser and Seller.

Stamps are given on all cash purchases, whether large or small, which thus entitles you to participate in our Dividend Scheme. To every Cash Customer under our system we give a Dividend Stamp for every Fourpence spent.

For example: Should you spend 1/- in any of our departments, we will give you 3 Dividend Stamps. Should you spend £1 we will give you 60, and so on, to the nearest multiple of your purchases.

The Dividend Stamp must be affixed in the blank spaces provided in this book.

When you have Quarter, Half, Three Quarters, or a Full Book, it may be presented at our shop, when you can secure goods as follows—

For $\frac{1}{4}$ Book, goods to the value of	5/-
" $\frac{1}{2}$ " " "	10/-
" $\frac{3}{4}$ " " "	15/-
" Full " " "	20/-

These goods may be selected from any department from our ordinary stocks.

*We solicit your patronage.*

# SELLERS & SONS

LIMITED

DRAPERS, MILLINERS, HOUSE FURNISHERS, GENT'S  
OUTFITTERS, BOOT AND SHOE SPECIALISTS, ETC.

93 TO 105 QUEEN STREET, CARDIFF

## DIVIDEND STAMP BOOK

Name.....*Mrs. Jackson*.....

Address.....*27 Nimian Park Road,*.....

*Cardiff*

The Customer must write his or her name and address in the above space.

All stamps must be affixed in spaces provided, as loose stamps are not counted.

4d. Dividend Stamp	4d. Dividend Stamp			

SPECIMEN CONDITIONS GOVERNING A TYPICAL "DIVIDEND STAMP" SCHEME

may constitute in reality a reduction in price. Rebates which are granted at any time to every customer, whether in the form of an immediate allowance, or in the shape of a rebate stamp which the customer can collect and cash after a certain time, are only imaginary reductions. Without this rebate the purchaser would buy at a correspondingly lower price, for the rebate is included in the price charged him.

From the standpoint of the retailer, such rebates are justifiable, since he thereby succeeds in attracting customers who would not otherwise have given him their patronage. As an example of these schemes may be quoted the "Dividend Stamp" scheme which has been introduced by some retail shops. Under these schemes, each customer is given a book in which the stamps may be affixed. Special stamps having a certain face value are printed, for example, the value of each may be fourpence. Every customer is given one of these stamps for every fourpence spent in the shop no matter what the extent of the purchase may be, and these stamps are fixed in the book. When the book is filled, or a definite portion of it, according to the conditions, goods to a specified value may be obtained from the shop without further charge. A typical set of rules for such a scheme are given on page 61.

Frequently, rebates are given to members of certain associations who constitute a portion of the trader's clientele. The customers are treated in their totality as a large-scale buyer who is entitled to a reduction in price. From the standpoint of the consumer, however, this method is not so acceptable, because it signifies the differential treatment of customers.

#### TEST PAPER IV

1. "The ultimate profit of a business depends not only upon the margin of profits per unit of commodity, but also upon the size and rapidity of the turnover." Explain this statement, illustrating your answer by means of an example. What are the various methods of finding buyers for goods? State broadly to what classes of goods each method is applicable.

2. Comment on the following—

(a) "The art of trade is to be found in a speedy turnover."

(b) "Small profits, quick returns."

(c) "A large turnover depends principally on a large sphere of customers, which can only be gained by those businesses which are efficiently organized."

3. What are the chief factors which determine the fixing of prices in a retail business?

4. Show the relation between the working expenses and the price of goods. Discuss the cost of the retail marketing of goods and indicate any ways which occur to you in which this cost might be reduced.

5. The turnover in a retail grocery business last year was £750, and the value of the average stock was £125. How long did it take to turn over the average stock?

6. State the advantages of a rapid rate of turnover in the case of a retail dealer.

7. Enumerate five different methods by which the trader may increase his turnover.

8. State shortly the connection between profit, turnover, and working expenses.

9. The rate of gross profit varies in different classes of business. Why is this? Illustrate your answer by reference to the following cases—

- (a) The retail draper.
- (b) The retail grocer.
- (c) The retail chemist.
- (d) The retail jeweller.

10. A retailer purchased some goods for £1,000. He sold them for £1,500. His total expenses in selling them were £250. Find (a) the total gross profit; (b) the total net profit; (c) the percentage of net profit on cost price; (d) the percentage of net profit on selling price; (e) the percentage of working expenses to sales.

11. What is meant by the "mark-up" policy? How does it differ from the profit realized on different articles sold by the business?

12. What qualities, apart from knowledge of his own line of business, are required by the salesman?

13. What factors help to promote good salesmanship? Show how these are bound up with the prosperity of a retail business.

14. State three essential qualities of a good salesman.

15. Describe the organization of any retail business with which you are acquainted, particularly with regard to how it is organized for the selling of goods and offering goods for sale.

16. Compare the cash business with the credit business, bringing out their respective advantages.

17. Explain three methods adopted by retailers of attracting customers by the granting of rebates.

18. A retailer's receipts for the year amounted to £31,750, and the cost price of the goods sold was £15,200. Find the average "mark-up" on cost. If the cost of doing business was in every case 14 per cent of the gross selling price, calculate the net profit for the year and express it as a percentage of the retailer's capital at the end of the year, viz., £14,000.

19. A retailer aims at a gross profit of 20 per cent of the retail price of each article sold. He buys for cash, receiving  $3\frac{1}{2}$  per cent cash discount, and pays delivery charges amounting usually to 1 per cent of the gross wholesale price. He reckons that his other expenses amount to 3 per cent of the net stock cost of his goods. Find the gross wholesale price and the retail price paid by the consumer for an article whose stock cost price is £2 10s. 6d.

20. A motor-car, list price £450, is sold by a dealer on the instalment



payment system for  $33\frac{1}{3}$  per cent of list price as cash payment, and the balance in twelve monthly instalments of £26 per month. If the dealer has to pay cash (list price less  $12\frac{1}{2}$  per cent) to the manufacturer, and also to pay  $5\frac{1}{2}$  per cent per annum to a credit company on the balance outstanding until his purchaser pays the last instalment, find his profit, at the end of the twelve months, on the transaction. (The dealer borrows £243 15s. from the credit company at the time of sale of the car. This he repays in twelve equal monthly instalments. Interest on the monthly amounts to the credit of the dealer may be neglected.)

21. What knowledge must a retail salesman possess in addition to knowing all about his product? How does this knowledge help in the securing of orders?

22. A lady comes into your shop and asks to see a selection of certain articles. The goods are right, but she refuses to buy until she has looked around other shops. Can you do anything to influence her returning to your shop for the goods after she has looked elsewhere?

23. "Experience may eventually teach a man that, before a sale is made, it is necessary to secure attention, arouse interest, create desire, and stimulate action." Illustrate the importance of being able to grasp and utilize the steps in this mental process in their right and true sequence.

24. Some traders act upon the principle of "small profits quick returns"; other traders apparently do not. Do you think all traders ought to act upon it? Explain fully.

25. Draw the diagram on page 56 and explain its meaning.

26. (a) In your opinion what are the chief characteristics of a good salesman or saleswoman? (b) Describe your ideal of a good customer. (c) Discuss the difference between indoor salesmanship and outdoor salesmanship, i.e. the salesman behind the counter and the commercial traveller.

27. Should the retail shop adapt its organization to the convenience of the customer, or ask the customer to adapt himself to the shop's organization?

28. Which type of service is better: (a) the impersonal type where the salesman apparently knows all there is to know about his goods, waits on you quickly, hands you change and packages without a smile or acknowledgment, and goes to the next customer; or (b) the personal type, where the salesman waits on you satisfactorily, but gives you the impression that you are the only customer in the shop in whom he is interested, and that it is giving him special pleasure and satisfaction to wait on you?

## CHAPTER V

### METHODS OF ADVERTISING IN THE RETAIL TRADE

IN business life the word "advertising" plays an increasingly important part. We even speak of an age of advertising and, involuntarily, we connect with this the idea that advertising signifies something modern, something which has arisen only within the last few generations. True, the term "advertising" has a modern sound, yet it cannot be regarded as exactly new. Advertising is a form of publicity, and there has always been publicity as far back as we can go in the history of trade. We should be justified in beginning the history of advertising with the customary phrase: "Already in Ancient Greece." At all periods of civilization the business man has availed himself of publicity in the maintenance and extension of his business. A familiar figure in nearly all countries and at nearly all times has been the town crier. We are told that in Pompeii the walls were covered with announcements, and that signs with varying typical inscriptions were hung out in the streets of Rome, in Chinese cities, and in the lanes of mediaeval guilds in order to attract the attention of passers-by. Although this was not advertising in the modern sense, nevertheless it was a form of business publicity. In all his actions man is brought into contact with his fellow men, and must indulge either consciously or unconsciously in some form of publicity. Indeed, it is this fact which has given rise to the development of societies.

As early as the year 1600, a form of press advertising was current in England, and some of these announcements make very amusing reading. The palm must be awarded to a seventeenth century dentist who published the following announcement—

"This space was sold to J. Carter, the Dentist, but as his business is sufficiently brisk already, he declines to use it."

Publicity is most intimately connected with the essential nature of man, and, as in other spheres of intercourse, so in business; it is a natural and indispensable phenomenon. Some people are apt to despise publicity as something vulgar, a fact which, perhaps, may be explained historically as the survival of a time when merchants travelled from town to town and from fair to fair to sell their

goods, i.e. they were itinerant traders. But, at a still earlier period, even the doctor and the actor were classified along with these itinerant merchants. In the meantime, however, advertising along with other perhaps less conspicuous phenomena has become an integral part of our modern economic system—an indispensable auxiliary which has arisen out of the general development of business. From the economic standpoint, advertising is undoubtedly of great economic significance—a significance which manifests itself beyond the frontiers of the home country into the sphere of world economy. Large numbers of people subsist on advertising and its associated activities. Large groups of consumers, and sometimes even the whole nation, is influenced in its requirements by advertisements. They are introduced to new wants, the old wants are strengthened or cast aside and new ones take their place.

Alongside these positive advantages of advertising, certain disadvantages may be shown. Take, for instance, the amount of energy which is wasted in advertising in the competitive struggle, and the superfluous and often injurious wants which it stimulates. The advantages and disadvantages of advertising may give rise to much scope for argument, yet the individual business man is quite impotent without such a means of gaining customers. He must take business as it is and must, therefore, accept advertising as an organic part of it. Social policies are only of importance to him in so far as he can exploit them for business purposes.

**CLASSIFICATION OF ADVERTISING.** The business man usually regards all phenomena which confront him from the standpoint of his own business, i.e. from the point of view of the business unit in which he is engaged. For this reason, special considerations have to be borne in mind from the point of view of the person who is advertising. This fact calls for an explanation of the meaning of the term “advertising,” for, as we have already mentioned, advertising is a form of publicity although it is not synonymous with it. Publicity is the wider term, and advertising is only a portion of it. Though there may be but little agreement in the two terms, there can scarcely be two opinions as to the logical relationship existing between them. In view of the difficulties of definition, it is not always advisable to begin by defining the wider term which, in our case, is that of publicity. The following definition may be given: “Publicity is the influencing of people, leading them to participate

# **PUBLICITY**

## **Unconscious Publicity**

## **Advertising (Conscious Publicity)**

### **Direct Appeal**

### **Indirect Appeal**

#### **Spoken Word**

- (a) Travellers
- (b) Salesmen
- (c) Agents

#### **Mail**

- (a) Sales Letters
- (b) Folders
- (c) Brochures
- (d) Circulars
- (e) Envelope Inserts

#### **Newspaper Advertisements**

- (a) Magazines
- (b) Newspapers
- (c) Trade Papers

#### **Special Displays**

##### **General**

- (a) Posters
- (b) Signs
- (c) Car Bills
- (d) Electric Signs
- (e) Cinema Films
- (f) Theatre Screen

##### **Localized**

- (a) Window Display
- (b) Counter Cards
- (c) Stunt Shows

##### **General**

- (a) Site of the Business
- (b) Business Premises
- (c) Equipment
- (d) Staff
- (e) Special Services
- (f) Appearance of the Goods
- (g) Price Attractions

##### **Special**

- (a) Exhibitions
- (b) Charitable Donations
- (c) Competitions
- (d) Press Articles
- (e) House Organs

freely in the realization of ideas offered." Hence, it follows that business publicity is devoted to influencing people in the realization of ideas which serve economic ends. If we now add to this definition of business publicity the word "conscious," it will provide us with a definition which approximates roughly to the term "advertising" as it is used in everyday life. The question now arises: How is this related to unconscious publicity? It is common knowledge that a saleswoman who, in addition to her business ability, has certain personal attractions, has probably a greater success in selling than another who is equally efficient but lacks these qualities. Again, a traveller who creates a good impression is more likely to get an order than another who offers an equally good article but who creates an unfriendly impression.

In these cases, the business success is the result of unconscious publicity, nevertheless they come within the sphere of business publicity because they find economic expression. This unintentional publicity must be noted because it is of great importance in business life. This is due to the fact that in actual business life it is not the principals themselves who come into contact with the customers, but it is people in their capacity as business men who come in contact with others in the capacity of customers. Indeed, it may be asserted that it is the unintentional publicity which is the most important. As a rule, a sympathetic personality will secure greater and more enduring success than an unsympathetic one, even if the latter has a better training in salesmanship. Since, however, unintentional publicity cannot be made the subject of instruction, we have to direct our attention to conscious publicity.

The chief object of advertising is in increasing the profit of the business. Its ultimate aim is to ensure the continuity of the business as a profit-making concern. In this task advertising does not stand alone, for organization also serves this purpose.

**MEDIA OF ADVERTISING.** What are the media of advertising: how are they classified and appraised? Their value obviously depends upon the ends which these various means are intended to serve. Thus, immediate objects may be directed to the buying side, to the selling side, or to the business as a whole. Nevertheless, the advertising of the whole undertaking is largely restricted to the buying and selling prices—it is a radiation of the undertaking to the outside world, and, where there is publicity within the

undertaking as between the principal and the staff or between the various members of the staff, it is strictly only advertising in the hiring of the labour. This fact again shows the difficulties of a definition, for in this sense we do not use the term "advertising."

Hitherto, publicity on the side of buying or procuring goods has scarcely been accepted as advertising. It certainly plays a subordinate part to advertising on the selling side, yet it is sufficiently important to have attention drawn to it. Advertising, i.e. every endeavour made on the buying side to obtain favourable conditions or other advantages for the undertaking, is conscious publicity.

In dealing with the outside world, advertisements may be made directly in the form of offers, or indirectly as suggestions. The offer of the services of an undertaking may be made either in the form of goods or of actual services. In its simplest form, the offer is the mere communication or announcement which may not even contain a definite offer. Nevertheless, it is described as an offer because the intention of the communication is to offer something. Thus, an offer may be either—

- (a) tacit, or implied,
- (b) expressed in general terms, and
- (c) a special offer which differs in form from the general offer in that it makes a more direct appeal.

The suggestion may refer to—

- (a) *The business as a whole*, or to one of its departments, without immediately drawing attention to its purpose. As such, it comprises—

- (i) every kind of attraction,
- (ii) every kind of reminder,
- (iii) every assertion of the reputation of the establishment.

- (b) *The goods*, in which case it may be divided into—

- (i) reminders of a want or the stimulation of a want,
- (ii) the establishment of a relation between the business and a want,
- (iii) inducements to buy.

To attain these ends, advertising avails itself of the most diverse means which we can split up into two groups. As a starting-point we may take the result of the advertisements on the publicity, so that we have direct and indirect advertising.

**INDIRECT ADVERTISING.** This cannot always be recognized immediately as conscious publicity. In considering this form of advertising we may proceed from the exterior of the business to the interior, i.e. we may start with the actual external arrangements of the business.

(a) **The Site.** There is no doubt that the position or site of the premises is capable of advertising the business. This is especially true in the case of the position of a departmental store, the locality of the business being chosen according to the type of customer for which it caters—sometimes in a high-class neighbourhood, sometimes in a working man's quarter.

(b) **The Premises.** This again is especially true with regard to departmental stores. This may be seen in the construction of the building, in the position of the doors, and in the arrangement of the staircases. The wishes of the public may be taken into consideration either as regards convenience or safety, and a good impression may be created by means of an imposing frontage—indeed, the palatial nature of some stores characterizes the whole street. It is not only retail businesses which may advertise through the imposing appearance of their premises, but this is also found in manufacturing and wholesale concerns. It is also seen in the large office buildings in some of our great cities, which, in themselves, constitute very important advertisements. This is even seen in the imple form of address which results, e.g.

DOMINION HOUSE,  
KINGSWAY,  
LONDON, W.C.2.

(c) **Internal Equipment.** In this category we may include the uniform of the staff as well as the equipment of the rooms themselves. We may also further mention the appeal made through delivery vans, the packing materials and the stationery. The internal organization may be placed under this heading, at least, in so far as it is used intentionally for advertising purposes.

We now come to the second type of indirect advertising, i.e. publicity through the means of internal management.

**The Staff.** The organization of the business staff becomes indirectly an instrument of publicity. This is effected by means of a thoroughly trained and courteous staff, by the rapidity and care of the service, and by the existence of conveniences facilitating the purchases.

**Special Services.** The best example of these is again furnished by the departmental stores. There are, for instance, departments which work at small profits to attract customers, e.g. tea-rooms; special bargain sections which show very little profit but attract the public and lead to other sales. Where such special services include the presentation of refreshments, as for instance at mannequin parades, they are already on the borderland of direct advertising. Many of the services which the public a few years ago regarded as special services and which were then considered as indirect advertising, are now understood to be direct forms of advertising by most people. It is, therefore, impossible to draw a clear line of demarcation in practice between these two forms.

**Fixing of Prices.** In some bazaars, well-known articles are quoted at a relatively low price in order to create the impression that all the goods are being sold at low prices. Sometimes the price of the article is not lowered, but the quality is improved. This also acts as a price advertisement.

**The Goods.** Goods achieve publicity, not merely by their quality and cheapness, but by their mere presence. In many cases, the sight of the goods creates a desire to buy. To the indirect advertising, therefore, must be reckoned the display of goods on shelves, stands, and tables, in the windows and in the interior of the shop. Indirect advertising also consists in the pleasing "get-up" of the goods, in the ease with which they are handled, and so on. All these forms of indirect advertising which result from the internal management in the wider sense, may be contrasted with the second group of indirect advertising media which extend beyond the actual business itself, and may be regarded as special means of indirect advertising.

**SPECIAL MEANS OF INDIRECT ADVERTISING.** (a) **Exhibitions.** Under this heading have to be included to an increasing extent fairs, which are losing their ancient character and tending to assume the nature of an exhibition. The indirect appeal here is the general effect upon the great mass of the public. Where the exhibition assumes an educational character, as in the case of the British Empire Exhibition, it is very effective as an agent of publicity.

(b) **Voluntary Contributions.** These may take the form of contributions to charitable institutions or to bazaars. Such gifts are very effective as indirect forms of appeal. They may also be made to sports clubs and other societies.



(c) **Competitions.** These are of two kinds, namely, those in which the business directly participates, and those which are arranged by the business. In the first class we may mention international motor-car competitions. The second class has become almost a mania within recent years. In reality, it is only an indirect method of disposing of goods, i.e. where the conditions of entry to the competition embody the purchase of goods. Such competitions frequently have a two-fold effect: they advertise the firm's goods among the competitors, and they often bring much profit in the form of effective slogans.

(d) **The Press.** The press itself with its editorial columns represents one of the most important means of indirect appeal. The same effect is also attained by means of other writings which are not intended as means of publicity. For example, Henry Ford has written a book on his life and work which was probably intended to explain the practical efficiency of the American workman in his scientific and ethical aspect. At the same time it served as an indirect appeal, for he could not recommend his firm without showing that it served the nation, its workers, and even humanity.

Publicity is also indirectly obtained through the reviews of books, criticisms of plays, and so on. Articles in magazines and periodicals are often nothing more than indirect appeals. Frequently it is difficult to detect which advertisement is unintentional, and which is carefully launched and even paid for. Examples of this are furnished by every newspaper. Sometimes it is an account of the first performance of a new play, a new method of curing a disease, or an interview. In many cases it is quite certain that such articles do not get into the paper without the intention of propaganda, or without the assistance of the editorial staff. Such press publicity is still more effective when it bears a sensational character, i.e. if it relates to an event which is out of the ordinary. The indirect appeal excels the direct appeal in that it is not felt as an advertisement, and thus has an opportunity of entering secretly into the reader's mind and doing its work.

The indirect appeal is undoubtedly very useful as a form of suggestion. It may carry with it conviction of the reputation of the firm, either by drawing conclusions from the external appearance, the packing, or the premises, to the quality of the goods. As far as actual selling is concerned, however, the indirect appeal will

generally lack the final persuasive power. Here, the direct appeal is more efficacious. Nevertheless, the indirect appeal may bring the prospective customer to the point where he only requires a little persuasion in order to make him buy. The essentially psychological nature of the indirect appeal is a thing which constitutes its great efficacy, but this fact also presents great obstacles to its application. The result depends precisely upon the fact that it should not be recognized as an advertisement. If it is not possible to avoid entirely the appearance of advertising, the device is useless, and even the suspicion that it is an advertisement acts prejudicially.

**DIRECT ADVERTISING.** The nature of this form of advertising is better known, and there are scarcely any limits to its employment. The best known forms of such appeal are—

(a) **The Spoken Word.** This is the most effective form of advertising, since by it the greatest consideration can be paid to the peculiarities of the person to whom it is addressed. Language represents the most natural and, therefore, the most compelling means of communication; it also forms the most elastic means of publicity. The advertiser can change his tactics, and introduce new points of view as the appeal is being made. Notwithstanding these advantages, the spoken word is rarely applied in its purest form, such as through the town crier. In most cases, the direct appeal by word-of-mouth is associated with the activity of the traveller, the agent, or the salesman. The employment of this means is naturally restricted, and its place is, therefore, taken by the written communication.

(b) **Written Communications.** These may be divided into regular ones such as price lists and catalogues, or irregular ones such as special letters and circulars. A catalogue is usually a book giving both prices and descriptions of merchandise, and may vary from a large, heavy book filled with reading matter set in small type to a small handbook containing very little matter. The nature of the catalogue will depend largely upon the purpose for which it is required. If it is designed to create interest or to attract inquiries, it is prepared in a concise form in the most attractive manner possible. If, on the other hand, it is designed to give information to readers who are known to be interested in the subject-matter, the description should be as complete as possible, even if it involves the compilation of a relatively large book.

Written communications are more likely to be successful if they

contain strong personal appeal. Though they are not so adaptable as the verbal appeals owing to the medium through which they find expression, they have the advantage of reaching definite individuals without calling for an immediate decision, and they can be filed away for future reference. In this form of advertising, much depends upon the compilation of a good mailing list, and seeing that it is kept up to date. In this work the following sources may be drawn upon—

1. The present customers of the concern as shown in the books of account.

2. Those who make inquiries about the goods sold by the firm (either orally or by post).

3. Directories giving general lists of private persons, or special trade directories when an appeal is made to a special class of consumer.

4. Names which are obtained through the recommendation of customers.

Much of the effectiveness of the sales letter depends upon making it easy for the prospective customer to act in the manner required. Action may be induced by the following expedients—

1. Sending a reply post card, which is already addressed and frequently only requires the address and the signature of the sender.

2. Inviting the reader to fill in a blank space on the letter and return it.

3. By intimating that a personal visit will follow by the representative of the business at a specified time.

Yet another form of advertisement of this nature is the *Envelope Stuffer*. This is merely a small advertisement which will go into the envelopes commonly used without folding. One of these, drawing special attention to some particular line of goods, may be inserted in every communication sent out whether it be a letter, statement, or invoice.

(c) **Newspaper Advertisements.** In spite of its disadvantages in comparison with the written communication, this medium fills special functions of its own. Among these may be mentioned the fact that in many cases the newspaper reaches people whose addresses may be unknown, and cannot be approached directly by letter. Thus, for example, it may be impossible to procure the addresses of a large number of poultry farmers, whereas an advertisement in

a special trade paper may circulate amongst that class. Moreover, the newspaper advertisement admits of the maximum amount of advertising in the shortest possible time.

(d) **The Poster.** This includes not only the poster in the narrow sense of the word, but also the shop sign, the sky sign, and the film advertisement. Its chief characteristic lies in the fact that it is able to reach that part of the public which is not accustomed to receive advertising matter, and to attract their attention for a short time during which they are put into possession of a relatively large amount of information. This peculiarity of the poster renders it suitable only for those communications which can be conveyed in a few words. A further limitation is that it is impossible to appeal to any one class of customers owing to the heterogeneous nature of the pedestrians. For this reason, the appeal loses much of its effectiveness. Where the advertisement has to serve other purposes besides that of a reminder, an announcement, or a recommendation, it is advisable that another form of advertisement should precede the poster.

(e) **Displays.** These include the various forms of window display, either on the trader's own premises, or in show-cases elsewhere. Here must also be included the employment of the theatre as a means of display. Thus, during the course of a scene, the brand of a particular cigarette may be mentioned, or in a review, perhaps a whole advertising scene may be inserted.

(f) **Samples.** One of the most effective methods of advertising and selling is by means of samples. The next best thing to seeing an actual article is to obtain a good sample of it. Such goods as cloth and similar products lend themselves readily to sampling because they are easily enclosed with a letter.

#### TEST PAPER 5

1. "Advertising is a form of publicity and there has always been publicity as far back as we can go in the history of trade." Justify this statement by means of examples.

2. "Advertising may be defined as conscious publicity." Explain the meaning of this statement, bringing out the difference between "conscious" and "unconscious" publicity.

3. In what way may the external arrangements of a business be utilized as a form of advertising?

4. Distinguish between direct and indirect forms of advertising, mentioning three factors which would come under each of these headings.

5. Draw the diagram on page 67 and explain its meaning.
6. Do you consider advertising an economic factor in the distribution of goods? What is the economic value of advertising to the consumer?
7. How can the large sums spent on advertising be justified? Illustrate by reference to the methods employed by large retail firms and manufacturers.
8. Explain the function of an advertisement and state the chief points which should be observed in drawing up the advertisement of an article.
9. Describe various methods of propaganda which may be used by a retail firm. Which method is especially prominent at this time of year?
10. In selecting the media for advertising (*a*) a departmental store, (*b*) a breakfast food, (*c*) an expensive motor-car, (*d*) a cheap brand of cigarettes, (*e*) a cheap patent medicine, (*f*) a ten-guinea correspondence course in salesmanship, which type of journal would you recommend?
11. Name (*a*) some commodities in the advertising of which newspaper support can be employed to advantage, (*b*) some instances in which the power of the newspaper would to a large extent be wasted. Give reasons why.
12. Is the direct appeal made by circular or printed matter mailed to a prospective customer of less or greater value than a general appeal through the media of the press? Give reasons.
13. What devices are used in advertising to secure (*a*) attention, (*b*) interest, (*c*) desire, (*d*) action?
14. A mail order catalogue offering cigarettes has been sent to an inquirer, who fails to respond. (*a*) Would you follow him up by letter, and, if so, what would you write? (*b*) If the first follow-up failed, what action would you take?
15. Give reasons why an article becomes more saleable as it is well advertised.
16. Wholesale firms employ travellers. Describe the work of a traveller and show how he renders useful services to the retailer.
17. State clearly the reasons you would advance to show that advertising is indispensable to the community.
18. Account for the present-day importance of advertising, and briefly describe some of the methods which may be employed.

## CHAPTER VI

### THE RETAIL SHOP

BROADLY speaking, the retail shop may be classified under one of two headings. It may be either a general store, or it may specialize to a greater or less extent in one type of commodity. The chief representative of the first type are the village shops which are still found in every part of the country, and the small shops which are found in the side streets in the working-class quarters of the large towns. The village shop in particular must keep an assorted stock of goods in order to cater for the needs of its patrons. It therefore frequently happens that we find combined under one roof and within the confines of a very small shop, a grocery business, a hardware business, a drapery business, and any other side-line which the proprietor may find profitable. There is a demand for all these articles, but the market is so limited that no specialization can take place, and one shop must, therefore, set itself to cater for all these diverse demands. The development of road transport in recent years, however, has done much to curtail the activities of these general shops.

In like manner, the "corner shop" of the large towns carries a stock of a miscellaneous nature. It owes its existence chiefly to the fact that it is conveniently placed, and is more easily accessible in an emergency than the usual shopping centres. In addition to this, it is usually prepared to deal in very small quantities, and allow a fairly extended period of credit to its customers, most of whom will be known personally by the proprietor. As a result of these conditions, a wide range of articles must be stocked, partly because the customers demand them, and partly because the profits are so small on individual lines that a wide range must be held in order to make the business pay. Indeed, in many cases, such a business does not, and is not expected to furnish the proprietor with a living. It frequently merely serves to supplement an income obtained from other sources.

As opposed to the general shop, we have the shop which specializes in one class of goods, such as groceries, hardware, clothing, or books. Even here, however, we find a wide variety in the degree

of specialization which depends on the extent of the local market. Thus, one retailer may, under the name of a grocery business, stock all the articles which are usually considered to fall under this heading, he may also sell corn and seed, and, say, a certain amount of fruit. Another may retail one commodity only, such as tea. Hence, an infinite variety of specialization is possible according to the extent of the market and the degree of competition.

**FINANCING THE BUSINESS.** When arrangements are being made to commence a new business undertaking, it is of the utmost importance that the entrepreneur should form a very clear and definite idea as to the precise nature of the business. They must then proceed to frame a preliminary estimate of the probable course of business for the first few months of the existence of the enterprise. Thus, as in the example given below, they must consider the volume of business which they are likely to attract, and the minimum turnover which is likely to yield a satisfactory profit. Having done this, they must next estimate the capital expenditure on equipment to enable them to cope with the amount of business which they can reasonably expect. It may be possible to spread this expenditure on equipment over a more or less protracted period of time, and this course is usually adopted when practicable.

After the question of capital expenditure has been settled,

### TRADER'S PRELIMINARY ESTIMATE

#### ESTIMATE OF ONE YEAR'S TRADING

Based on a weekly turnover of £300	
or an annual turnover of £15,600	
Mark up 15 per cent, realizing Gross Profit . . . . .	£2,340
Deduct Overhead Charges, viz.—	
Rent, Rates . . . . .	£175
Wages, including Manager, Staff and Secretary . . . . .	720
Incidentals . . . . .	20
Lighting . . . . .	20
Directors' Fees . . . . .	200
Depreciation . . . . .	100
	<hr/>
	1,235
Net Profit . . . . .	<hr/>
	£1,105
If Dividend of 10 per cent be declared on Capital invested (£1,000) . . . . .	100
	<hr/>
Balance carried forward to Reserve . . . . .	<u>£1,005</u>

however, the problem is by no means solved, since it is still necessary to determine the amount of working capital required. In making this estimate it is well to consider the maximum requirements of the concern. There will, in the first place, be the question of the stock of goods for sale, which will have to be purchased and maintained if the business is to have a reasonable chance of doing the estimated amount of trade. Then there are certain expenses which have to be met from the date of commencing business, irrespective of whether any return is accruing to the business or not, such as rent, wages, lighting, etc., so that sufficient working capital must be provided to cover these. Again, in almost every instance, a certain amount of time must elapse before the concern will show a normal turnover as estimated, and a sufficient allowance must be made to meet financial needs during this period when the business "is getting into its stride." On top of all this the prudent business man will allow an ample margin for unforeseen contingencies.

**ADVANTAGES OF THE RETAIL SHOP.** The vast number of small retail concerns are sole trading businesses under the direct management of the proprietor, or small partnerships. In certain cases, in order to secure the advantages of limited liability, the business will be constituted as a private company, usually consisting of the proprietor and certain members of his family. The practical result is that, as a general rule, the business is under the direct personal supervision of the one who has the greatest interest in it. Herein lies the source of the greatest strength of the small retail concern—the *personal* element. The proprietor can establish friendly relations with his customers, make himself familiar with their individual tastes, and set himself deliberately to cater for them. This personal acquaintance with the customers also facilitates the extension of credit. There is an absence of that formality which characterizes the large-scale retail concern—a fact which many people appreciate.

The small retailer usually provides a number of services which are not performed by other types of business. He is usually prepared to deliver the goods to his customer free of charge, and irrespective of the value of the purchase. This function is also performed by the departmental store, although very often goods to a certain value have to be purchased or a special charge is made. The retailer, however, is very frequently prepared to go further than this. Certain of his customers may prefer to give their orders at their own



homes without visiting the shop at all. He therefore sends his representative to such of his customers as require him for the periodical collection of orders. In these and other ways, the small retailer renders service to his customers, and so long as there are people who require exceptional treatment and special attention, the small retail shop will remain an essential unit in the system of distribution.

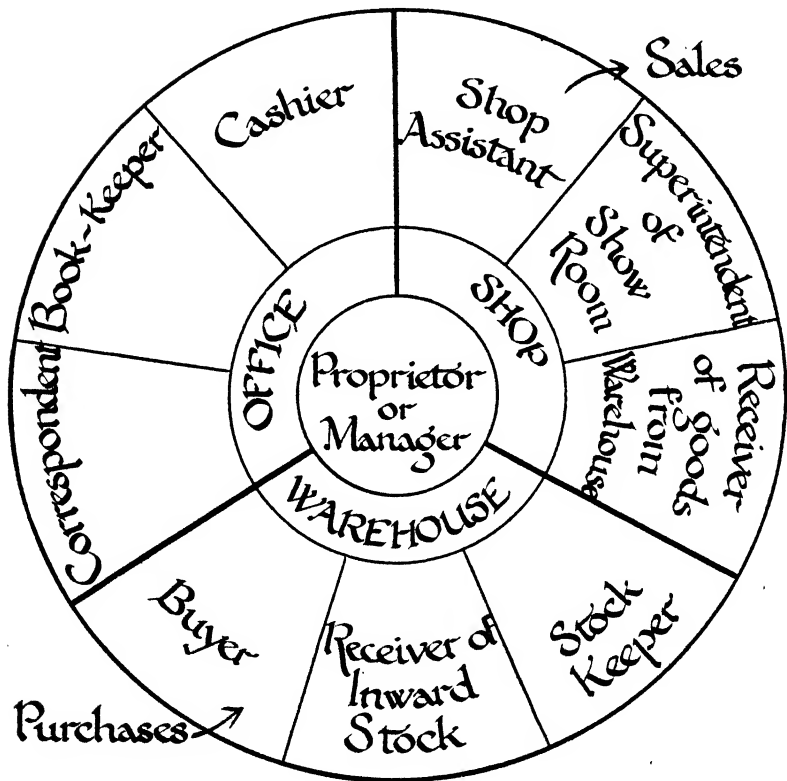
**ORGANIZATION OF A RETAIL BUSINESS.** The work of the retail shop lies in the purchase and the sale of goods so as to yield a profit to the business. In order to achieve this object, a place must be provided where goods can be displayed for the inspection of the public and sold, provision must be made for the storage of reserve supplies of goods, and, finally, the records of the business must be kept. Hence, most retail businesses may be separated into these three divisions—the shop, the warehouse, and the office. The smaller the concern, the more will the last two tend to disappear, so that very often practically no records are kept, while the whole of the available stock is on view in the shop. Yet, even in a small concern which is properly organized, it should be possible to discern this three-fold division. The office may occupy only one corner of a room, the shop may be the room itself, whilst the stock-room is possibly under the counter, and the trader may himself fulfil the duties of cashier, book-keeper, buyer, stock-keeper, and salesman. With the increase in the size of the business, however, division of labour comes into operation and the separation of the various functions takes place. The office becomes a department of its own, housing its own staff, and the same remark also applies to the stock room and the shop.

The diagram on page 81 illustrates the typical organization of a large retail business. The work of the undertaking may be divided into three main departments as indicated above, namely—

1. **The Shop.** This is primarily concerned with the sale of the goods to customers. A chief salesman is usually appointed who generally deals with the more important and profitable clients. He is aided by a staff of shop assistants whose duty it is to attend to the needs of the customers. One or more members of the staff may be engaged in ordering goods from the stock-room, checking them as they arrive, unpacking them, and distributing them among the various departments of the shop.

2. **The Office.** In the typical retail establishment, the office does not assume any great dimensions, and very frequently the greater

## ORGANISATION OF A RETAIL SHOP.



part of the work is performed by the proprietor himself. As the scale of the business grows, this department must be expanded to meet the growing demands made upon it. Of course, in the large-scale

retail business such as the departmental store, the office staff may be of considerable size, but in this chapter we shall confine our attention to the ordinary retail concern.

**3. THE STOCK-ROOM** Here there is generally found an overseer who is engaged in the careful arrangement and classification of the stock, so that any article may be found immediately it is required, and no long search made for it without definite knowledge of its whereabouts. There may also be a person engaged in checking the goods as they arrive before passing them into stock, while another may be employed in the package of goods prior to their release from the stock-room. We shall now consider the organization of a retail business under each of these headings.

**ORGANIZATION OF THE SHOP.** The person who wishes to open up an ordinary retail business must take into consideration a number of factors with regard to the business premises. The first point which will naturally receive his attention is the *location of the shop*, for it is not too much to say that the judicious selection of a site is one of the prime factors in successful retailing. The trader should be fully satisfied that the position of the business is in accordance with the class of trade to be transacted, and that there is likely to be room for expansion. As a general rule, the busiest spot is always the most suitable. Any quarter through which large numbers of people have to pass holds possibilities for the trader, and shopping centres will always tend to be located in such districts. The mere presence of other shops and the fact that the locality is a recognized shopping centre adds to the potential value of the site, and to be located at a point where people are accustomed to go when they wish to purchase is a big step towards founding a successful business.

It must always be remembered that in the larger towns a particular locality often tends to acquire a reputation for a certain class of trade. Thus, one street may contain shops which confine themselves exclusively to trade of a very high class, while another may achieve a reputation for cheapness. Another factor which cannot always be foreseen is the fact that the character of a district can change, sometimes very quickly. Many well-established businesses have gone under owing to this fact, and to-day it is almost impossible to say what any district will be like in twenty years' time.

Having settled the location of the shop, the *external appearance of the business* must next receive attention. Good design and pleasing

appearance in a shop exterior are a direct aid in the promotion of sales, and the idea that a shop front is just a frame for the window with space provided at the top and bottom for the trader's name is long out of date. In the first place, the name of the business should appear on a signboard over the shop front. This should be clearly visible from the farthest possible point on the opposite side of the street. The colouring and general appearance should be in harmony with the whole scheme of exterior decoration. Finally, if arrangements can be made so that it may be illuminated at night it will be a great advantage since, in these circumstances, it can be used at both times.

Although great claims are made on the good taste of the retailer in regard to the outward appearance of the business, this remark applies still more forcibly to the *window decorations*. The tasteful display of the goods in the windows should be one of the first matters to receive the attention of the shopkeeper. The shop windows should attract attention by their size and accommodation, so that the goods exhibited therein may show up to the best advantage. Of course, the display of goods in the shop windows is no easy matter. There was a time when the trader regarded his shop window as a portion of space which had to be crammed with a collection of articles as fully representative of his stock as possible. Window dressing is now no longer an incidental feature in the retail trade, but is a profession in itself, with its own association of experts. It calls for artistic taste and a proper appreciation of beauty. When we speak of the development of taste in a business man, we usually think of his capacity to display his goods. The aim of the window display is to induce the passing public to stop, look at the window, and then think instinctively of their wants. The idea is not to force the public into buying, but to put them in such a frame of mind that they wish to buy. The retailer must, therefore, display in his windows not only goods which the people must have, but also those which are calculated to stimulate new wants. To influence people through the window display in this way is not an easy art. The trader who wishes to show a thousand different things may end in showing nothing at all, for the window must not resemble a jumble sale. A few things only can be seen by the onlooker. For this reason, a retailer ought to put only a few of his articles into the window, i.e. those which will be seen and appreciated. A china

shop, for instance, which simultaneously exhibits in its windows all the china ware used in the household, does not attract much attention. The business, however, which displays a few handsome sets of china is more likely to form the **centre of attraction**, especially among **housewives with good taste**.

In the large stores, a single article only is often displayed in the windows, but this must not be taken as a universally valid principle. People also look at the window for the purpose of making a selection. A millinery shop, for instance, will arrest the attention of passers-by for a longer time if a variety of hats at different prices is exhibited. The articles in the window ought to be plainly marked with the prices, for the price is a determining factor with the majority of onlookers. They tarry longer in front of the window comparing the prices, and asking themselves whether they can afford such and such an expenditure. Finally, when they enter the shop, in most cases, they have already decided upon a purchase. Moreover, the window decorations must harmonize, i.e. the colours must be so blended as to form a scheme. Such a display always causes people of good taste to stop and admire it. The window decorations should be frequently renewed as constant change is important in arresting attention. Objects of art, pictures, statuary and so on may be employed with advantage, but they must always be treated as of secondary importance, and never allowed to attract the attention of the public from the main articles.

What has been said of the window display also applies to the *interior decorations* of the shop, which must be on a liberal scale. An attractive window display is useless unless the interior of the shop corresponds in modernity and attractiveness. The appearance which the interior presents to the eye of the customer gives him an impression of the shop's character and its ability to meet his needs, and the first impression thus created does more than anything else to make or mar the success of a trader's future business relations with each individual customer. The shop should be spacious, free from dark nooks and corners, with nothing lying about which does not belong to the business. The entire shop should be capable of being surveyed at a glance. It is a place where the customer furnishes his requirements, and it may be assumed that anyone who enters the premises is desirous of effecting a purchase—a point which the retailer must keep constantly in mind. Hence, he

must have a sample of every article he sells in the shop, without first having to send to the stock room when the goods are asked for. The practice in all retail establishments to-day is to have the maximum amount of stock on view—not enclosed in cases and packages, but displayed so that people can see it easily.

In order that he may make a careful selection, the customer should be provided with adequate accommodation. He must first be allowed to inspect the article he wishes to buy, and this is *only* possible where there is adequate counter space on which the goods can be shown. This demand upon the equipment of a retail business must, of course, be in conformity with the nature of the business. The interior arrangements of a grocer's shop, for instance, will differ from those of a boot shop or of a fancy goods business. In the latter case there should be plenty of mirrors, whereas in a picture dealer's business there should be spacious rooms to enable the customers to judge the effect of the article to be purchased. In some businesses the light plays an important part in the display of the articles before the prospective customers.

Indeed, the *lighting arrangements* exert a far-reaching influence upon the wants of the public. For this reason alone the retailer should strive to keep his shop as commodious as possible so that it can be flooded with daylight, and in the evenings he should provide a plentiful supply of artificial illumination. Brilliant lighting effects in which all the articles can be plainly seen never fail to attract the attention of the passers-by, and in the shop itself act as an inducement to purchase.

In the interior of the shop the comfort and convenience of the customers should receive due attention. The provision of seating accommodation may induce the customer to tarry in the shop longer than would otherwise be the case. Facilities for writing should also exist for those who wish to pay by cheque. In this respect the large departmental stores have set a good example. In some cases they even offer their customers special rooms for tasting articles of food, where they can sample the goods at leisure before they buy them. Ladies' outfitting businesses have special fitting rooms in which customers can try on the clothes which they intend to buy. In this connection mention may also be made of the mannequin parades, in which the latest models in dresses and hats are displayed before the customers.

**ORGANIZATION OF THE OFFICE.** The organization of this department of the business depends largely upon the size and the nature of the business. A business which allows credit to its customers, for example, will call for much more clerical work than one dealing exclusively on a cash basis. No matter what the size of the business may be, one of the most important duties which devolve upon this section is that of supervising the individual transactions made by the various salesmen. It is of the first importance that a record should be made of every transaction—whether for cash or on credit—so that there may be a complete control over cash takings, and every credit transaction debited to the customer's account.

This control is achieved in most cases by the use of duplicate counter books. Each assistant is provided with one of these books, and a slip must be made out whenever a sale takes place. This slip contains brief particulars of the purchase together with the price. Each assistant is designated by a number, and this, too, must appear on the slip in the appropriate place, as shown in the example on page 87. Thus, in the event of any dispute, the assistant who made the sale can be quickly ascertained. When the counter slip is made out, the top portion is handed to the customer as a receipt, while the duplicate is handed in at the cash desk with the money. When the sale is on credit, full particulars as to the name and address of the customer must be inserted, and the customer may be required to sign the slip as a receipt for the goods.

At the end of the day, the cashier, by finding the total amount as shown by the duplicate counter slips in his possession, can ascertain the cash takings for the day, and this should, of course, be the same as the cash actually in hand. Each book of counter slips is given a number which appears on every slip (both on the original and on the duplicate). Thus, in the example, the book number is B28. At the same time, each slip in the book is given a serial number—53, in the example. Hence, the slips may be sorted out, and it may easily be ascertained whether any are missing. If a slip should be missing the assistant in charge of the book in question must be called upon to account for it. In this lies the value of the whole system as a check upon the assistants. The customer, as a rule, will see to it that a slip is made out for the correct amount of his purchase, and, once this is done, the slip cannot be destroyed without provoking inquiries.

Telephone: 863

Telegrams: "STAR," CARDIFF

BOUGHT AT  
**STAR SUPPLY CO.**  
 92 QUEEN STREET, CARDIFF

All Goods must be paid for on or before delivery

NO CREDIT

.....Mrs. Johnson.....

.....3 Pearl Street,.....

.....Cardiff.....

Assistant No.....6.....

Passed by....N. B. ....

Date.....23/11/19..

.....1-2 lb. Jar "Radion" Apricot Jam.....1...3...

• S T A R •

**PAID**

23 Nov. 19..

SUPPLY CO.

B 28

53





total value of the cash sales and of the accounts paid. This may take a form similar to that shown in the example on page 88. On the left-hand side are shown the names of the debtors of the business who have settled their accounts together with the amount, while on the right-hand side is given particulars of the cash, cheques, etc., on hand together with any amount which may have been disbursed in the form of petty cash payments. The total of all this, less the value of the accounts paid, gives the value of the cash sales for the day.

Another return of considerable value may take the form of a comparative statement on the lines of the example given below. This gives the value of the cash takings and credit for the day in question, and for the corresponding day in the previous year.

**COMPARATIVE STATEMENT OF CASH TAKINGS WITH THOSE  
OF CORRESPONDING DATE OF PREVIOUS YEAR**

<b>STAR SUPPLY CO.</b>	
<b>SHOP RETURN</b>	.....23rd November.....19—.....
To-day	Corresponding day last year
Cash taken:	
£ 84 : 19 : 9	£ 64 : 10 : 8
Total for Month to Date:	
£1,025 : 18 : 3	£1,002 : 3 : 1
(....20.... days)	(....20.... days)
Credit Sales:	
£ 38 : 9 : 4	£33 : 10 : 2
Total for Month to Date:	
£ 108 : 7 : 6	£135 : 5 : 5
(....20.... days)	(....20.... days)
Number of Transactions:	
Cash      223	Cash      198
Credit     36	Credit     28
Total for Month to date:	
Cash      2,865	Cash      2,602
Credit     156	Credit     167
.....John L. Jones.....	
Cashier.	

It also gives the cumulative total of these two items from the beginning of the month to the day on which the statement is made, together with the number of cash and credit transactions. Such a statement, prepared day by day, renders valuable assistance by enabling the progress made to be closely watched by the proprietor.

Another task of considerable importance which devolves upon the office is the checking of the invoices—a task which many retailers, even those doing business on a relatively large scale, omit to do. The prices charged, and the extensions should all be checked, and the quantities compared with those actually ordered by referring to the duplicate copy of the official order. This checking should be done quite independently of that undertaken by the warehouse, which ensures that the goods received correspond with those invoiced. The terms and conditions of sale printed at the front of the wholesaler's price list should be carefully scrutinized, and any allowances or discounts due to the trader should be shown on the invoice. In particular, the following points should be noted—

(a) Any general trade discount to be deducted from the prices as shown on the list.

(b) Any special trade discounts for quantities or in consideration of a purchase before a certain date.

(c) Any purchase which is entitled to be delivered carriage paid. Thus, if orders to a certain minimum value are placed, it is sometimes the custom to deliver the goods free of charge.

Of course, in addition to these general considerations care must be taken that any conditions which have been the subject of special agreement have been fulfilled. Another point arises in connection with the treatment of empty packages. In many cases these are not returnable, but in those cases where they are, care should be taken that this is done promptly and a proper record kept. This record should be checked periodically—say, once every month—to see that all such returned empties are duly credited.

After the invoices have been checked they should be entered in the Bought Book, from which the amounts are posted to the ledger. They may then be filed away for future reference if they should be required. After the statement of account has been rendered by the wholesaler, a note should be made of the date when the account must be paid in order to secure the most favourable terms. This is

a point which no trader can afford to neglect, for in these days of keen competition the special terms and discounts offered for prompt payment form an important proportion of the net profit. In addition to the monetary benefit which results from prompt payment, a trader with a reputation for settling his accounts promptly stands the best chance of being well looked after when there is any benefit to be obtained from special offers.

Every trader, no matter how small his business, should adopt a systematic method of book-keeping suitable for the needs of his business. In a book of this nature it is not possible to enter into any discussion of the form of accounts most suited for the retailer, and the reader must refer to a work on accounting for particulars. The importance of keeping a proper set of books cannot be over-emphasized, for by this means alone can the retailer exercise a strict control over every individual occurrence in the conduct of the business as well as over the business as a whole. With this end in view, the retailer must endeavour to adapt the accounting system to the business. The secret of a good system of books is its simplicity and clarity.

**ORGANIZATION OF THE STOCK-ROOM.** The management of the stock-room makes special demands upon the trader. A properly arranged stock-room facilitates the greatest possible utilization of the available space. It cannot be said precisely how these arrangements must be made in order to be suitable, for this depends entirely upon the kind of goods which are kept in stock. The guiding principle, however, is everywhere the same—the careful and systematic stowing away of the goods in well-defined places, so as to facilitate their speedy handling and to avoid deterioration and pilferage. It should be possible to ascertain quickly—

- (a) Whether any particular article is in stock.
- (b) Where it is to be found.
- (c) What quantity is on hand.

All incoming goods, after being weighed and checked, are deposited in a certain place, and must be entered up into a stock book which may take the form of the example given on page 92. A figure or a letter indicates the place where the goods are kept, so that the warehouseman can lay his hands on them at any time. Outgoing goods are just as carefully weighed and entered in the stock book, so that no goods are allowed to enter or leave the stock-room without

being recorded. The warehouseman must maintain with rigorous severity the system which has been decided upon, and he is personally responsible to the proprietor.

## SPECIMEN STOCK BOOK

Description....."Radion " Brand Jam.....		Rack No.		
.....Plum (Victoria) in 2 lb. glass jars.....		.....J3.....		
Supplier.....Robinson Bros., Ltd.,.....		Min. Stock.		
.....Soho Square, London, W.1.....		.....5 doz.....		
Cost Price.....12/6 doz. ....		Selling Price ... ..1/3 each. ....		
STOCK RECEIVED		STOCK ISSUED		
Date	Quantity	Date	Quantity	Balance
19—		19—		
Jan. 1	—	Brought forward		60
" 10	108			168
—	—	Jan. 12	60	108
—	—	" 23	48	60
Feb. 4	108	—	—	168
—	—	Feb. 12	36	132
—	—	" 20	48	84

A good stock-keeper can save much expense to the business. Lack of care of the goods, allowing them to rust, to become dirty and out of shape are sources of loss that can easily wipe out the profit, and yet may be averted by a good stock-keeper. Thus, in storing goods, heavy articles should be kept on the floor or on the lower shelves. In this way, not only is the labour of lifting minimized, but there is no risk of the goods falling and damaging more fragile articles. Again, goods should travel from stock to the sale rooms progressively,

that is to say, goods which have been longest in stock should be first sent into the shop, so that goods do not remain in the warehouse for unduly long periods and deteriorate. Another source of waste which the stock-keeper must watch is the improvident use of supplies. Thus, assistants may use large sheets of packing paper when smaller sheets would prove ample. They may employ an excessive amount of string for packing up a parcel, or throw away useful lengths. Such leakages of material may appear trivial, but taken as a whole they amount to a substantial sum which is well worth while trying to save for the business.

The stock-keeper must watch carefully for any slow-moving lines and "dead" stock. Shop-soiled goods and accumulations of remnants are sources of heavy losses. When these occur, they should be disposed of at reduced prices in order to clear them from the premises, for they are only occupying valuable space which can be put to better use, and, furthermore, are deteriorating and losing value.

#### TEST PAPER 6

1. If you intended to commence business in the retail trade on your own account, what inquiries would you make before coming to a final decision? Discuss the question from the point of view of situation, premises, etc., and specify at the commencement of your answer the type of business you have in mind.

2. What are the chief factors which determine whether a trader shall open a general store or a specialized retail shop? Describe two methods you would adopt in opening a retail business of your own with a limited amount of capital at your disposal.

3. John Keene is thinking of starting a retail business under the style of "The Excelsior Trading Company." What economic, legal, and personal requirements will he be required to fulfil if the undertaking is to prove a success?

4. You have obtained premises for commencing business in the retail trade. Specify the type of business that you have in mind, and show how you would proceed to organize the shop. Deal with the type of goods, lay-out, fittings, display, etc.

5. Describe the organization of any retail business with which you are acquainted under the headings: (a) The office, (b) the warehouse, (c) the shop.

6. What are the main duties which devolve upon the office staff of a large retail business?

7. Draft a short circular suitable for sending to prospective customers informing them that you have opened a stationer's shop and will be pleased to receive their orders for stationery, books of account, and similar office requirements.

8. Enumerate the chief members you would expect to find on the internal staff of a large retail stores. In your answer distinguish between the persons engaged in the office, the stock-room, and the shop.

9. What constitutes the goodwill of a retail business, and in what way are the salesmen concerned in its maintenance?

10. What considerations should a retail grocer bear in mind in deciding as to the amount of stock to be carried by him?

11. What are overhead charges in a retail business?

12. The books of a retail shop showed the following results for the year ending 31st December: Stock (at cost) on 1st January, £23,516; on 31st December, £32,651; net sales (i.e. gross receipts, allowance having been made for returned goods), £97,720; purchases during the year at invoice prices, £61,350; cash discounts taken, £1,736; inward freight and cartage, £315. Find the gross profit and the net profit for the year, and determine the probable selling price of an article that cost the shop £20.

13. On 1st August, 19.., Messrs. Gibson & Co., of Leeds, dispatched goods to Messrs. Rees & Co., of Swansea, the goods being invoiced at £3,250 10s. 5d., subject to a trade discount of 15 per cent and a discount for cash of  $3\frac{1}{4}$  per cent. On receipt of the goods, Messrs. Rees & Co. complained that they were not of the quality ordered. An adjustment was agreed to whereby an allowance of 5 per cent in the price (i.e. the price after deduction of trade discount) was made on one-third of the consignment and 4 per cent on the remainder. Messrs. Rees & Co. paid half the account immediately and half after three months. Write out the formal documents passed in the course of the above transaction, and calculate the amounts paid by Messrs. Rees & Co.

14. How are (a) gross profit, (b) expenses, (c) net profit, (d) turnover related to each other?

From the following information extracted from the books of a trader, find (a) his gross profit, (b) the percentage of gross profit on the turnover. Stock, 1st January, £5,176; Stock, 31st December, £5,025; Purchases, £13,850; Sales, £17,500; Purchases Returns, £256; Sales Returns, £520.

15. State and explain carefully a few of the usual terms or conditions on which goods are purchased by a retailer from a wholesale merchant.

	Sales.	Selling Expenses.	Per cent.
16. October . . .	£56,248	£6,432	11.4
November . . .	£38,962	?	14.5
December . . .	£75,320	£7,248	?
	<hr/>	<hr/>	<hr/>
Last Quarter . .	£170,530	?	?

Fill in the missing figure in the above statement and find the average monthly percentage during the quarter.

17. A retail trader gives you the following information concerning his three principal departments—

Average Stock at cost price.	Annual turnover	Percentage mark-up on cost price (to determine retail selling price).
Department A—£500	8	33 $\frac{1}{4}$
„ B—£1,500	4 $\frac{1}{2}$	50
„ C—£480	2 $\frac{1}{2}$	60

Find (a) his gross profit for the year; (b) his average annual turnover.

18. A retailer has shop premises valued at £3,500 and stock on hand valued £4,200 at cost. He owes sundry creditors £720. He turns over his stock  $4\frac{1}{2}$  times annually, making on each occasion a net profit of 12 per cent of the cost of the goods sold. Find his net profit for the year and express it as a percentage of his capital.

19. A retailer had £2,000 invested in his business. His turnover for the year was £5,000 and his gross profit 10 per cent on the turnover. If his expenses amounted to £250, what was the rate of his net profit on turnover and on capital?

20. Enumerate the numerous credit documents used by a retail shop-keeper in carrying on trade with a wholesale warehouseman. Draw up a specimen of *one* of the documents you mention.

21. Comment on the financial position of A. Topside, Retail Meat Purveyor, as set out in the following Balance Sheet.

## BALANCE SHEET

<i>Liabilities</i>		<i>Assets</i>	
	£		£
Sundry Creditors . . .	500	Cash . . . . .	50
Bills Payable . . . . .	450	Sundry Debtors . . . . .	300
A. Topside (Capital) . . .	350	Stock . . . . .	250
		Plant and Machinery . . .	200
		Leasehold Premises . . .	500
	<u>£1,300</u>		<u>£1,300</u>

22. Indicate the scheme of organization you would adopt for administering a retail undertaking handling a wide variety of goods, and discuss briefly the functions allocated to each section, giving reasons for the system of allocation adopted.

23. You have been for six years with the large grocery firm of Messrs. Pink & Sons, of Portsmouth, and are now opening for yourself a business in groceries and provisions. Your experience as buyer for Messrs. Pink & Sons has given you practice in choosing the best articles, and you intend to sell at such a price that profit will be cut down to the lowest margin. By close personal attention and courtesy to all, you trust to secure a share of patronage. Write a circular calculated to bring customers to your shop.



## CHAPTER VII

### THE DEPARTMENTAL STORE

THE departmental store may be defined as a retail establishment handling several classes of goods, each class being separated from the others as regards management and location. It would be a matter of extreme difficulty to draw a clear line of demarcation between the ordinary retail establishment such as we have already considered, and the departmental store, for the latter is frequently the product of the evolution of the former. The ordinary retail establishment as it develops and increases in size, tends, for the purposes of economy and greater efficiency of management, to become departmentalized, and, as a result of this development, we find a number of types intermediate between the two. The range of goods handled by these stores is often very comprehensive, and the claim made by some of the larger organizations that they can satisfy every requirement of the home within the confines of their departments, appears to be well founded.

Although this type of retail selling organization has not, in this country, reached the stage of development found in France and America, it is, nevertheless, of great and increasing importance. In part, they grew up as a reply to the challenge which the co-operative movement offered to private enterprise; and in part, they were yet another attempt to solve the problems of distribution in the retail trade. They have developed in all the large centres of population, and for a time it was considered that the day of the small trader was over. It did not seem possible that any opposition could be sustained against these new organizations, which were planned on so liberal a scale, and where financial resources were so vast, that experts could be employed in every department.

**CHARACTER OF THE TRADE.** The departmental stores are usually located in a central position in the recognized shopping centres of the great cities. Their buildings are calculated to attract the attention of the shopping public, since they are the result of the highest quality of the architect's skill. Inside, they are equipped with equal care, every detail being planned to ensure the greatest convenience, economy of space, and beauty of design.

The precise range of goods handled in each case varies considerably, and most progressive stores are continually extending the scope of their activities. In quite a number of instances, departmental stores handling such diverse lines as foodstuffs, hardware, furniture, and jewellery have originated and evolved from a drapery concern. This rather curious situation may be said to be due to the shopping methods adopted by women who must make the purchasing of a varied list of requirements a daily task. The convenience of being able to satisfy a number of these under one roof was early appreciated, and led to the extension of the business to cover other classes of commodities. The importance of women as buyers has been fully realized by the departmental stores, and they have set themselves to cater for their requirements through attractive displays of the goods, and by allowing freedom and facilities for close inspection.

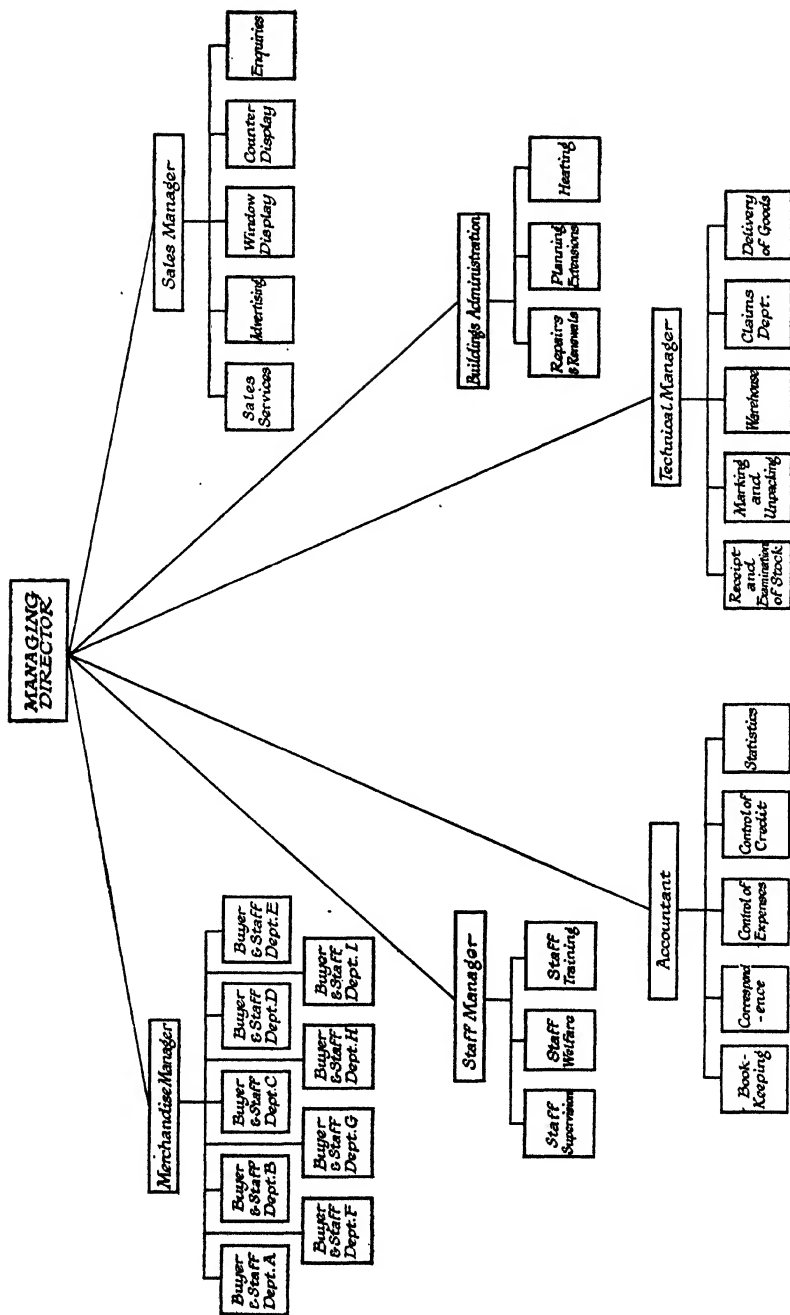
The aspect of "service" is one which receives special emphasis from the departmental stores. Many of them are prepared to sell goods to approved customers on credit. Goods may be ordered over the telephone, and an extensive delivery service is maintained for sending goods to the homes of the customers free of charge. Many of the stores have established special "service" departments for the convenience of their patrons, including writing rooms, restaurants, information bureaux, telephone boxes, etc. In some cases, a nominal charge is made for these services, but for the most part they are provided not with a view to profit, but as an indirect advertisement of the establishment. The aim of the store is to get people to visit it frequently, and attempt to secure their goodwill by providing for as many of their needs as possible.

**ORGANIZATION OF THE DEPARTMENTAL STORE.** The departmental store is usually constituted as a limited company and, in respect of its legal constitution, presents little difference from other types of large-scale enterprise. The General Manager may be a director of the company, but is responsible to the Board of Directors for the administration of those policies which he helps them to formulate. The centralization of control in one or two persons is not incompatible with the specialization of the main activities. There must always be co-ordination between these specialized divisions, for every department is, to some extent, dependent upon others, and can only work efficiently as long as an effective understanding

exists between all departments. An extensive sales campaign, for example, would be futile, if undertaken without co-ordination with the buying department, while the activities of both buying and selling departments must work in accord with those of the financial control. An indication of the various sections into which the organization of a departmental store may be divided is given in the diagram on page 99. It will, at this point, be necessary to consider these in more detail.

**Technical Department.** The technical side of the business seems at first sight to be of slight importance, but, although its influence is not very obvious, it is, nevertheless, far-reaching. In the first place, this section of the organization is concerned with the reception and examination of goods. Upon arrival, these are checked with a copy of the official order and, upon being found correct, are marked and taken into stock. This part of the work which deals with the storage of goods is of special importance, and efficient warehouses and stock rooms are essential to the success of the technical aspect of the business. It is not always recognized how great is the loss caused by breakage, bad packing, excessive damp or heat, and the ineffective classification of merchandise in stock-rooms. The various sections of the stock-rooms must be capable of expansion or contraction according to the stocks on hand. The divisions must correspond to the various selling departments and be so situated as to be in the most convenient position for the receipt of goods, and for dispatch to the sales counters. It will also be necessary for this department to watch carefully the reserve stocks of goods, and notify the buyer when any particular line shows signs of running out of stock.

Upon this department also falls the responsibility of delivering goods to customers. When goods are to be delivered to the customer's private address, the salesman takes down particulars and sends them with the goods to the dispatching room. Here, the goods are carefully packed and labelled and, if the goods are to be delivered by the firm's own service, the parcel is put aside to wait delivery. The delivery area covered by the firm's own vans may be divided up into districts, each of which will be served by a certain number of vans which may make a definite number of journeys daily. Where this is the case, the parcels will be classified into the appropriate districts, and a delivery sheet made out for each batch showing the name, address, number of packages, and the amount to be



SCHEME OF ORGANIZATION OF A DEPARTMENTAL STORE

collected if the goods have been sold on C.O.D. terms. As each lot of goods is delivered, the recipient must sign this sheet. In order to keep a check on the activities of the delivery service, the van-man may be required to supply other particulars on this sheet, such as the time he commenced his journey and when he ended it; his speedometer reading at the beginning and at the end, and similar information. Should a customer request immediate delivery of goods, a special delivery slip is made out by the salesman, and the goods are then packed at once and sent by special messenger.

Another branch of the activity of this section is connected with the settlement of claims. This department, so far from being an additional expense, may justify its existence by saving a considerable portion of the loss caused by wrong deliveries, pilfering in transit, and short packing. It not only adjusts these matters when the necessity arises, but also takes active measures to prevent any recurrence.

**Merchandise Department.** This section of the business is the most important of all for it carries out the work for which the store exists. The life-blood of the departmental store flows through the buying and selling departments; "merchandizing" is the first essential, and "service" the second. By "merchandizing" we mean the purchasing, on the most favourable terms and in the correct proportion, those lines which the public demands. At the head of each section of the business is the buyer, who is both the buying and selling head for the particular division. It is he who determines the lines to be stocked, buys the goods, and is responsible for them. A buyer may confine his activities to one department, although it is more usual for him to be responsible for the buying of several departments of a similar nature, such as haberdashery, cottons, linens, and lace. The buyers are each responsible to the merchandise manager, but act independently of each other. The qualities required of a successful merchandise manager are enumerated by Mr. Gordon Selfridge in the following words—

Merchandise managers must be students of men, of markets, of the science of trading and of figures. Of men, because they are advising and controlling the buyers, but doing it so adroitly as not to deprive them of their responsibility, credit, and enthusiasm. They must know more or less intimately the world's markets so that they can intelligently advise with the buyers as to where and when to buy. They must be past-masters in the art of trading, for otherwise they are controlling those who know better than they. They must be experts

## SPECIMEN DELIVERY SHEET

## DELIVERY SHEET

..... Tuesday, 1st January. .... 19— .

Van No. .... 5 ..... Time Out ..... 11.30 a.m. .... Speedometer { Start ..... 2732 .....  
 Daily Trip No. .... 2 ..... Time In ..... 1 p.m. .... Readings { Finish ..... 2741 .....

A separate sheet must be made out for each journey, and signed by the driver.  
 Any exceptional delay (e.g. breakdown, etc.) must be noted on the back of this sheet.

Name	Address	Number and Description of Packages	Received by
<i>Mrs. Bindle</i> <i>Mrs. Isaacs</i> <i>Miss Wilson</i> <i>Mrs. Thomas</i> <i>Mrs. Jones</i> <i>Mr. H. Smith</i> <i>Mr. Porter</i> <i>Mr. Clark</i> <i>Mrs. Nicholson</i> <i>Mrs. Monroe</i> <i>Mrs. Hurst</i> <i>Mr. Paton</i> *	21 Queen's Square 4 Grove Avenue 1 King's Road 166 Highside Avenue 42 Lightfoot Road 12 Redcliffe Square 4 Goldhurst Terrace 88 Southampton Street 21 Caldicot Street 13 Colchester Road 2 Thomas Street 51 Buckingham Street	1 Roll Linoleum 1 Parcel 1 Sewing Machine 2 Parcels, 1 Roll Carpet 1 Fire Screen, 1 Parcel 1 Cabinet 1 Garden Hose, 1 Lawn Mower 2 Motor Lamps 3 Parcels 2 Pictures, 1 Parcel 1 Washing Machine 1 Box of Tools	<i>J. Bindle</i> <i>A. Rivlin</i> <i>G. Wilson</i> <i>T. Thomas</i> <i>L. Jones</i> <i>H. Smith</i> <i>A. Rees</i> <i>S. Roberts</i> <i>A. Nicholson</i> <i>T. Rose</i> <i>F. Hurst</i> <i>J. Porter</i>

Signed .... J. Wilkinson .....

Driver

in figures, for great businesses are now directed and controlled through figures.

A successful purchasing system necessitates the classification and recording of all goods sold in the store, of the sources of supply, of actual purchases made in the past, whilst a uniform method of ordering and of tracing unfilled orders is essential. Furthermore, there must be some means of checking deliveries and of correcting mistakes. From these considerations, it follows that the successful buyer must have access to certain classified information, namely—

- (a) The possible sources of supply.
- (b) Recent quotations for articles in constant or occasional demand.
- (c) A record of previous purchases.

When placing orders for any particular line, the buyer has to take into consideration the extent to which his previous stock is above or below the ideal—in other words, did he buy more than was really necessary, so that the goods have been in stock for an excessive period of time, or could he, with safety, have made larger purchases? His decision on this point must, of course, be influenced by his anticipation of future demands. Then he has to bear in mind the question of alternative sources of supply from different producers, and balance the difference in prices and varying discount terms of one producer as compared with another.

Departmental stores usually carry a large stock of “seasonable” merchandise. It may be said that, to a certain extent, every article has its own particular season. The season may be a period of three weeks at a certain time of the year, or it may be three months, but there is a period during which its sales are booming, while for the rest of the year its sales are steady at a lower level. The term “seasonable merchandise” is, however, reserved for those classes of goods which sell very fast for several months, and for the rest of the year are almost “dead.” Thus, mechanical toys have their boom period during the months of November and December, while each season demands its appropriate sports requisites. A buyer has to weigh up all these factors each time he places an order with a producing firm for any line of merchandise. The contact between the buyer and the producer is often a personal one, for the former may visit the factory in order to become better acquainted with the products. Buying well is, perhaps, the greatest problem in

connection with this type of retail trade, for no amount of economy elsewhere can ensure profits from extravagant purchases.

Every section of the merchandise department is judged by the results which it can show. Under the buyer in each department is a staff of salesmen for whose efficiency he is responsible. The engagement of the sales force, however, does not usually rest with the buyer, but is in the charge of an independent official who does the work for the whole business.

**Sales Department.** In this division of the business ample scope is afforded to the staff for the exercise of the quality of constructive imagination. The search for "something new" is one which will tax the imaginative capacity of the sales manager to its full extent, and he must be ever-watchful for fresh schemes for the stimulus of sales. With this end in view, special attention is given to the display of merchandise in public demand in its most attractive form in the various departments, while customers are permitted to enter freely and inspect the goods. One of the outstanding features of the departmental store is that customers are made to feel that they enter the building under no obligation to purchase, while they may pass from department to department and examine the articles at their leisure.

These stores do not depend for their custom upon the persuasive ability of their salesmen, but they rely to a large extent upon the quality of the goods. But the problem now arises: Is the customer capable of making the best selection without the aid of those who are better qualified to judge the qualities of the article? The female customer, especially, flits in like a butterfly, and flits as quickly out again if her interest is not aroused or her attention not attracted. The customer's interest must first of all be attracted and then retained, and to this end the departmental store calls to its aid all the artifices of modern advertising. Advertising creates a demand by making known the goods, and is a vitally important factor in distribution. The principal methods of advertising have already been considered, and all of these are pressed into service. In this connection, however, mention may be made of "general" and "specific" advertising, both of which are employed by the departmental stores to bring the goods to the notice of the public by means of the printed word. General advertising merely calls attention to the name of the firm in order to impress it on the public



mind. Specific advertising, in addition to this, concentrates attention on a particular article, and brings forward sales arguments leading to its purchase.

Advertising, being an appeal to human emotions, is subject to the laws which govern thought, feeling, and action, and must make use of the knowledge obtained by experimental psychology. Window dressing or window display is a medium amenable to development on sound psychological principles. The constant change of window displays in large departmental stores is sufficient in itself to attract attention. The various departments are in turn "backed up" by window displays, so that each one is at intervals brought before the public. The window displays are of two types—the "spot" and the "classified"—the object of the former being to attract attention by its novelty, magnitude, colour, form or appearance to one, or possibly two, articles. The classified window display, on the other hand, is composed of one "featured" item surrounded by other articles from the same department.

The term "silent salesmanship" has been applied to all forms of advertising, but it is becoming realized that the most effective and, at the same time, the most economical form is counter display. Departmental stores which, at first, paid slight attention to this fact, have now reversed their views. They now surround the sales floor with counters from which the actual selling is done, and utilize the remaining floor space for the construction of "blind" counters which are used for display purposes only. The success of the "bargain basement" is due almost entirely to this attractive method of displaying goods. Effective counter display depends on two principles—proportionate display and classification of merchandise. The departments themselves are laid out according to a set plan, departments of a purely domestic nature being situated in the least convenient positions in the store, while the most attractive goods are placed so that the prospective customer and the casual observer are attracted to these departments. The reason for this is not far to seek. The customers who purchase goods from the former departments very probably entered the store in need of, and with the intention of purchasing, such articles, but the greater proportion of the sales of fancy, decorative, and ornamental articles are made to those who happen to see, on the counter, the article which attracts their attention and stimulates their interest.

Classification of merchandise is of obvious importance in a departmental store. Most of the merchandise falls naturally into the broad departmental divisions, but this is not enough—there must be classification within the departments themselves. The purchaser of paint will probably need a brush. Paint brushes must, therefore, be displayed so near to paint that the purchaser of the latter will naturally tend to move towards the brushes when he has completed his purchase of paint.

In the United States and in Canada, where the combined multiple shop and departmental store has been most highly developed, classification and proportionate display have received great attention. The articles in these stores are displayed on the counter at fixed, marked prices, articles of the same selling price being grouped together, while classification is carried to a fine point. The smallest detail decides the relative position of the various articles on the counter.

**Staff Manager.** The selection, training, and control of the staff of a large departmental store is a matter which must receive the serious attention of the management. A business may spend large sums of money on the internal and external equipment of its premises; it may acquire stocks of merchandise of a varied and attractive nature, and may employ all the resources of advertising to persuade the public to become its customers, yet, before the first transaction is completed, each individual customer must come into direct contact with some member of the staff. The first impression created in the mind of the customer when contact is thus established, and the manner in which the transaction is conducted, determines, to a large extent, the future goodwill with which the customer regards the business.

The management of the staff, therefore, usually devolves upon one person—the Staff Manager—who may be helped in his work by a number of assistants. Upon this official falls the selection of the members of the staff, so that he needs above all things a knowledge of human nature. In addition to this, however, he must make himself responsible for the training and efficiency of the staff. By the careful compilation of records, the progress of every member of the staff can be followed, and when it is found that assistants are unsuitable for particular positions, their qualities as well as their shortcomings are known to the management, so that, instead of being

discharged, they are given opportunities to make good in other departments. When an important appointment falls vacant, the Staff Manager can immediately place his hands upon the man best fitted to fill it, because he is constantly on the watch for the display of special ability.

Another activity which falls within the scope of the Staff Manager is that usually described as welfare work. At the present day there is growing up an enlightened section of opinion in the business world which realizes that the welfare of any undertaking is inseparably connected with the efficiency and loyalty of its employees. It is, therefore, to the interest of the proprietors to establish such conditions as will ensure the development of those qualities to the greatest possible extent. To this end there are various means at the disposal of the employer such as, on the one hand, the payment of a fair salary, commensurate with the duties and responsibilities of the worker; and on the other hand, adequate care and attention to his health and welfare. In both these directions more consideration is being given than was formerly the case. Since, during the working hours, the business demands to the full the whole-hearted and conscientious devotion of each employee, the working day has been curtailed, while during the summer, the members of the staff are granted a few weeks' holiday in order to enable them to recuperate their health and to gather new energy and inspiration for their work. The loyal employee has a position for the whole of his working days, and a pension in his old age, for many large firms set aside out of their annual profits a certain sum towards a pension fund.

**Management of Buildings and Equipment.** Under this section fall all matters connected with the maintenance and upkeep of the business premises. When extensions or improvements become necessary, the supervision of the work devolves upon this department. In a large business, minor repairs are constantly needing attention, and are sufficient to keep a staff of artisans constantly employed.

**The Finance Department.** The office or counting-house is the brain centre of the business in which converges the whole nervous system of the business organism. A well-planned office, suitably adapted to the undertaking, facilitates the efficient conduct of the business and helps to establish a smooth working organization which admits of the saving of much time and labour.

The treatment of the correspondence is one of the most important branches of the office routine since it connects the business with its clientele. The treatment of the incoming and outgoing posts devolve upon this department, and measures have to be considered which guarantee the proper treatment of those letters which concern other sections of the business and which must be dealt with by them. In important cases, discussions have to be arranged between the departments concerned before the correspondence is dealt with.

Of equal importance to the business are the activities of the book-keeping section. In this division, besides the keeping of the actual books of account, all the official figures of the business are compiled. Statistics which have been properly compiled, no matter whether they consist of a mere row of figures or of a series of graphs, possess an immense value in business life. For this reason they have been introduced into all branches of business. Of course, the book-keeping records furnish certain statistics such as the good and doubtful debtors, the magnitude of stocks, etc., but by drawing up particular statistics a whole series of other questions can be answered which do not come within the sphere of accounting; for example, the fluctuations in the number of customers, the turnover, the number of bills discounted, and the results of advertising. Carefully prepared figures, arranged on a comparative basis, indicate to the managing director, exactly the broad conditions of his business.

The financial control over the sales made by the various assistants is secured in the same manner as already described in the case of the small retail shop. Each assistant is provided with a duplicate counter book, and the procedure is exactly the same except that the assistant may be required to indicate the department on the slip for the purpose of sales analysis. Each department is provided with a cash desk, so that all the sales of the department are dealt with from the one centre. At the end of each day, the departmental cashier will be required to make a return of all the money taken in the department, and forward this together with the cash and the duplicates of the counter slips to the Accounts Department. Here, the slips will be checked to ensure that none are missing, and then they will be summarized and totalled—usually on an adding machine. The total amount as shown by these slips should agree with the total cash taken as given by the cashier's return. This

# SALES RETURN for.....30th June.....19...

Department	CASH TAKEN			CREDIT SALES			NUMBER OF TRANSACTIONS			
	To-day £	Correspond- ing Day Last Year £	Month to Date £	To-day £	Correspond- ing Day Last Year £	Month to Date £	CASH		CREDIT	
							To-day	Correspond- ing Day Last Year	To-day	Correspond- ing Day Last Year
A	40	35	1,185	8	7	230	68	63	14	12
B	50	48	1,495	10	9	270	40	38	11	10
C	45	50	1,287	8	10	245	96	106	16	17
D	20	18	595	4	3	105	34	33	7	5
E	60	50	1,765	12	14	345	220	208	44	40
F	74	72	2,186	14	14	415	410	405	81	76
G	40	35	1,175	8	7	230	92	91	19	18
H	120	110	3,570	24	26	705	550	497	87	74
I	10	20	210	2	1	45	6	13	2	2
TOTAL	£459	£438	£13,468	£90	£91	£2,590	1,516	1,454	281	254

Signed.....*J. H. Robinson*.....  
Chief Cashier.

may be done for every department in the business, and a summarized report drawn up on the lines of the example on page 108.

**ADVANTAGES OF DEPARTMENTAL STORES.** The rapid growth of the departmental store has led many people to prophesy the ultimate downfall and complete extinction of the small shopkeeper. This sweeping generalization has not been realized, nor is it likely to be. Although the volume of business handled by the departmental stores has assumed huge proportions, as compared with the total retail trade of the country, it is but a small percentage of the whole, and the small retailer finds scope for his activities in every centre of population. The departmental store possesses various advantages, some of which, it is true, are not peculiar to this form of organization. The following are the chief—

**Economies Due to Size.** The departmental store reaps the benefits which accrue to most large-scale enterprises, the most outstanding of which is its ability to purchase goods cheaply. The stores, possessing large purchasing power can buy in large quantities, and can usually obtain at least as favourable terms as an ordinary wholesale dealer from the manufacturer. In some cases, the departmental store can absorb the entire output of a manufacturer's plant, and so secure special terms. Furthermore, the departmental store can secure the services of experts to conduct the buying for each department—men of wide commercial experience and deeply versed in the knowledge of the commodities which they are called upon to handle. In addition to these economies in buying, a large store of this description gains other economies of administration. This point is brought out by Marshall in his *Industry and Trade*, where he says—

It saves especially in ground rent; for a single first-rate frontage on a good thoroughfare serves as an introduction to many acres of flooring, well lighted from the centre and sides. It does not need to keep a sufficient staff in each department to meet exceptional demands; for some employees are so trained as to be serviceable in each of several departments.

**Location.** Most departmental stores are located in a central position in the midst of the chief shopping centres, so that they are in a position to secure the custom of people from all parts of the same city and also that of people who enter from outside. As already

pointed out, the provision of facilities under one roof to enable a customer to satisfy all his various requirements is, in itself, a powerful attraction. In this connection, too, where a customer purchases goods on credit, it is a great convenience to buy from the same concern, since it saves the trouble of opening a number of different accounts. The store succeeds in concentrating in one place opportunities for the satisfaction of innumerable wants of customers scattered over a wide area.

**Advertising.** The resources of the departmental store enable it to spend large sums on press advertising, and on account of the diversity of goods sold in the different departments; such advertising can be used to the best advantage. Again, when customers enter the store to deal with one department, they are very frequently induced by the advertisement which the display of goods offers to make purchases in other departments.

**Service.** The services performed by the departmental stores, including those which are outside the ordinary scope of business, constitute an attraction to a certain class of people. The liberal delivery service provided by most of these stores, for example, is a great convenience to customers.

**DISADVANTAGES OF DEPARTMENTAL STORES.** In spite of all the advantages which they enjoy, the departmental stores are faced by very definite problems which serve to restrict their activities. Amongst the greatest of these may be mentioned—

**High Cost of Doing Business.** On account of the expensive services rendered, and heavy overhead expenses, the majority of the departmental stores have high operating expenses. Certain "service" departments may be run at a loss in order to attract customers, while the cost of delivery may easily attain large proportions, and increase the burden of selling expenses.

**Kind of Trade.** The fact that the stores are located in the central shopping areas is not altogether to their advantage. They can only obtain the "shopping" trade, while the trade in articles of everyday use which are frequently wanted at short notice goes to their smaller rivals who are located near the homes of their customers.

**Lack of Personal Element.** The customer of the large departmental stores does not receive the same personal attention as he does from the small retailer. In the big stores he is but one of many customers, and rarely is he attended twice in succession by the same

salesman. To many people the "personal" element has a very powerful appeal, and with regard to these the departmental stores are at a disadvantage.

### TEST PAPER VII

1. Enumerate the chief points to be taken into consideration by a person who proposes to establish a departmental stores.

2. What are the advantages of a departmental stores (a) to the general public, (b) to the trader, as distinguished from confining his capital and energies to a single trade.

3. Outline the staff organization of a typical departmental store, and point out the advantages which the store possesses over other types of retail business.

4. "Even the casual observer cannot fail to notice the enormous expenditure incurred by retail traders to-day upon sites, buildings, equipment, and organization." How do you account for their continued progress, notwithstanding the increasing capital outlay?

5. A retailer in a large way of business decides to buy direct from manufacturers, instead of buying through a wholesale dealer. How will this decision affect (a) the retailer, (b) the manufacturer?

6. To what do you attribute the rise and expansion of departmental stores in England in recent years? What special advantages do such stores possess from the point of view of the general public?

7. Describe the organization of any departmental store with which you are acquainted. In your answer show how the business chosen by you is related to the rest of the community, and point out any defects which you may have observed in its methods.

8. "The departmental stores have the advantage of being able to buy their goods cheaply, but most of them have the disadvantage of finding it expensive to sell them." Comment on this statement.

9. Give an account of the organization of the sales department of a large departmental store.

10. What, in general, is the tendency of large scale retail operations as regards (a) sales, (b) working costs, (c) establishment expenses.

11. Suppose you are in charge of a large retail business with five distinct selling departments, what records and statements would you call for month by month to enable you to judge correctly concerning the progress of the firm? Give in outline (with imaginary figures) the records for a single month.

12. Without actually having to take stock, a retail draper is desirous of ascertaining each week the approximate amount of stock in each of his five departments. Give an example (of one department) showing how it is possible to ascertain this.

13. The following is an extract from the annual statistical report of a retail departmental store—

	Average stock at cost.	Annual turnover.	Percentage mark-up on cost (to obtain retail selling price.	Cost of doing business (percentage of retail prices realized.)
Department A	£3,275	3½	40	16
" B	£720	6	33½	12½
" C	£1,275	4½	25	10
" D	£85	2	50	15
" E	£100	1½	60	14



Find—

- (a) The *total* gross and net profit earned by the five departments.
- (b) The average annual turnover of the five departments.
- (c) The average mark-up.
- (d) The average cost of conducting the business.

14. A good customer refuses the delivery of a weekly standing order on the grounds that it is not up to the usual quality. Write a letter in reply, explaining any unusual circumstances which may have been the cause.

15. Assuming that you are a prospective buyer of a retail business, advertised as a "going concern," what inquiries would you make prior to actual negotiation, and how would you arrive at an estimate of the valuation?

16. In a business where accounts are partly on a cash and partly on a credit basis, what books should the retail trader keep so as to be able to compile records acceptable to the income tax authorities.

17. A business has a turnover of £600 per week, from stock at the commencement amounting to £60, and purchases £350. The stock at the end of the week is valued (at cost), £70. The expenses of sale are: rent, £10; rates, £3; salaries and wages, £12. Draw up a weekly statement showing the profit made and the percentage relation between it and the turnover.

18. Draft a circular from the following data—

Removing to larger premises—rapid increase in trade—adding two new departments—advantages of new premises—solicit further patronage.

19. The Ever Ready Retail Departmental Store, Co., Ltd., finding that they are not making the headway expected, decide to appoint you as manager so that you can make a thorough investigation of their business and methods with a view to developing an up-to-date system for operating their business. Describe briefly the lines upon which you would proceed with the investigation, and outline the type of costing system you would suggest, noting that the proprietors wish weekly statements showing the following—

- (a) Value of weekly sales at cost.
- (b) Value of sales by department at cost.
- (c) Value of sales by individual salesman at cost.
- (d) Oncost expenses classified.

20. Would you rather become a proprietor of your own shop or manager in a large stores? Give in detail reasons for your choice.

## CHAPTER VIII

### THE MULTIPLE SHOP SYSTEM

AN important feature of the retail trade in this country of late years has been the tendency of the importer, manufacturer, and large-scale retailer to extend the sphere of their operations so as to bring them into more intimate contact with the consumers over a larger area. The general aim of the manufacturer, in particular, is to control the price at which his product is sold to the public with the ultimate object of eliminating the middleman. This is certainly an aim of the multiple shop organization, but it is a secondary feature to its main object of extending the business so as to reap the normal profits of retail trade. The multiple shop system denotes an organization which controls a number of stores under a common ownership and management. These stores may be located in different districts of the same town, or they may extend over a number of towns. In the United States, shops constituting such a system are known as "Chain Stores."

**TYPES OF MULTIPLE SHOPS.** In this country, to-day, multiple shop selling organizations may conveniently be classified into three groups. In the first place, there is the group of shops covering a certain district, say London or South Wales, which will usually be found to be offshoots of one successful and flourishing central store. The proprietor of a successful business has employed his capital to found new branches, and as the number of such branches increased the organization has gradually developed into a multiple shop system. This type is almost confined to the boot and shoe trade, and the grocery and provision trade. Many of these organizations are in the transition stage when the branches are neither so numerous nor so independent of the parent shop as to warrant the name of a multiple shop system proper. The exact point of demarcation is by no means always clear, and appears to depend more upon the nature and aim of the internal management rather than upon the number of units in the system.

In addition to the foregoing, there are to be found also the more highly-developed systems which cover the whole country, the shops being supplied from one or more centralized warehouses or depots.

An example of a multiple shop system of this type is furnished by Boots, Cash Chemists, who own approximately 820 retail shops. These branches are served by extensive manufacturing laboratories and plant in Nottingham, and also from distributive warehouses in London and Manchester.

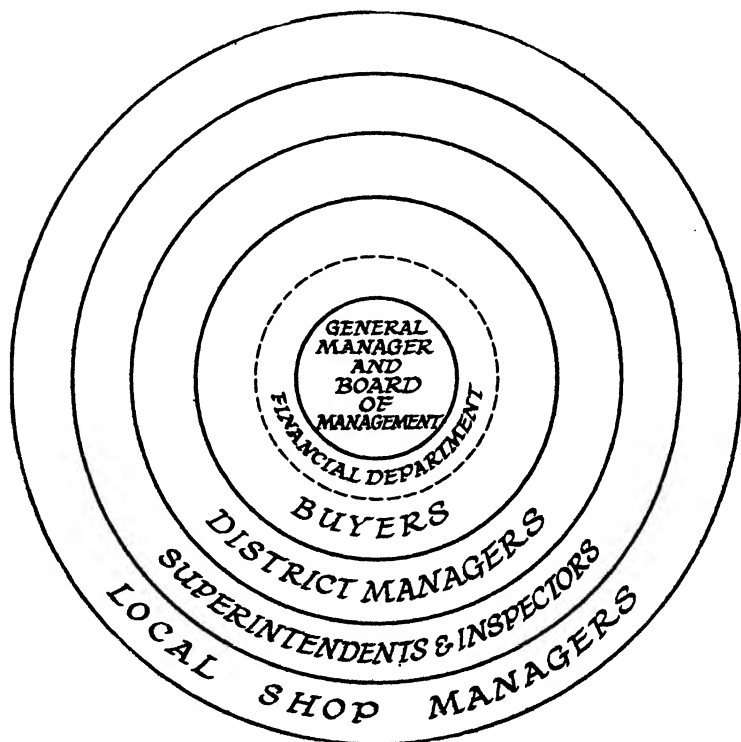
Closely allied with this last type is the system in which the various branches have almost unlimited power of buying and selling as, for example, in the case of Woolworth's Stores. The last two systems represent the multiple shop organization in its fully developed state. These shops are to be found dealing in a very wide range of merchandise, although the commodities handled by any one system are usually limited in range.

**INTERNAL ORGANIZATION.** The internal organization of the multiple shop has a close resemblance in many of its important features to that of the departmental store. The control of the system is unified under the general manager and his assistant, who keep in touch with the activities of the branches through the medium of District Managers and Superintendents. The number of districts will depend largely upon the number and size of the branches. In some cases, the country is divided into two or, perhaps, three main divisions, each controlled by its district manager, who has almost unlimited power of executing the policies formulated by the general manager. The district managers make occasional tours of the areas under their control, but they chiefly depend upon the reports of the superintendents and inspectors for accurate detail and current information as to the condition of the shops under their control. In other cases, control of the branches can be effected by a primary division into districts with managers who are responsible to the general manager, and in such circumstances there is no secondary division of the districts into superintendents' territories.

The duties of the district managers or superintendents include a periodical visit to each shop under their control, so that they can report on the development of their districts to the board of management. It is usual for the shops to be classified according to the type of goods sold. If this is the criterion of division, there may be only two or, perhaps, three classes of shops. The shops in the first class will sell the full range of products, while the remaining classes carry a more limited selection. Where the classification is made according to the *amount* of sales, the shops may be divided into as

many classes as desired. A combination of these systems of classification is often adopted, so that classes 1, 2, and 3, for example, may stock a better selection of merchandise than classes 4, 5, and 6. It is often convenient and sometimes essential, especially if the organization is inclined to be unwieldy, that the merchandise should

### DELEGATION OF DUTIES IN A MULTIPLE SHOP SYSTEM



be broadly classified as fast, staple, and slow selling. Each week the shop manager sends a report to the head office stating the percentage of fast and staple lines he has on sale, enumerating those which are—

- (a) Temporarily out of stock, but which are on order ;
- (b) Not on sale and not on order ;
- (c) In stock, but for some reason or other are not on sale.

Some articles which find a ready sale in one district are often in little demand in another. It is, therefore, advisable that the local manager should have scope for selecting such articles as he thinks will sell, and that he should be allowed to order in such quantities as he thinks fit. It is part of the work of the superintendent or district manager to see that he does not abuse this power of selection.

**FINANCIAL CONTROL.** In retail multiple shops where goods are sold for cash or on a month's credit, the books of account are kept at the head office, the branches making out periodical sales reports. Those systems in which the shops are supplied with goods from wholesale depots or central warehouses usually concentrate the whole of the financial and accounting work at the head office. In such cases, the only reports necessary from the branches would be—

- (a) The Salaries and Wages Report.
- (b) Shop Expenses Report.
- (c) Daily or Weekly Cash Report.

In addition to these, statistical reports regarding stocks on hand or stocks required will be furnished on the lines indicated above. The Cash Report, if tabulated departmentally, provides the head office with material whereby they may assess the sales and profits of each department with a view to comparison. The three reports may be combined in one document on the lines of the example given on page 117. Every branch will complete one of these forms at the end of each week, setting forth on the left-hand side in the appropriate column, the daily takings and the discount given, while on the right-hand side are recorded the expenses disbursed. The insertion of the amount of "cash banked" should cause the income and expenditure sides to balance. The cash takings should be paid in daily, or as often as is required according to the volume of trade, to the credit of Head Office Account, and duplicate pay-in slips should be sent with the Cash Return as vouchers for the amounts paid in. The return should also bear full details of the amounts disbursed as "Sundry Expenses," and these, too, should be supported by vouchers where practicable.

Where the shops are supplied from warehouses or wholesale depots or direct from the factory, it is not necessary for the shops to have any knowledge of the cost prices of the goods. In such cases, however, where the shops obtain their supplies either partially or wholly from outside sources, it is advisable that they should order on

## CASH RETURN

From.....*Cardiff (Queen Street)*.....Branch.

Week ending.....17th November, 19—....

All receipts must be attached to this form.

	Date	Sales		Disc'ts			Amount	
		£	s. d.	£	s. d.		£	s. d.
Monday	12th Nov.	26	10 6	4	—	Wages	35	10 9
Tuesday	13th „	30	4 2	7	6	Commissions	10	— 5
Wednesday	14th „	15	5 4	2	6	Sundry Exp'ses	7	18 4
Thursday	15th „	48	3 9	10	5	Cash Banked	221	— —
Friday	16th „	59	12 9	1	10 7			
Saturday	17th „	94	13 —	5	3 6			
Total Stock Sold	£	274	9 6	7	18 6		£	274 9 6

Full particulars of all expenditure incurred to be entered below. The total of the items enumerated must correspond with that given in the statement above.

[illegible]

I hereby certify that this is a full, true, and correct statement of all money received and expended at the above branch for the week ending  
.....17th November, 19—.....

.....Robert S. Johnson,.....Manager.

duplicate forms. On one of these the quantity and specification of the article required is written, while on the other, the same particulars appear, together with the cost price, the selling price, and the profit. Both copies are then sent to the head office for approval, after which the first is sent to the supplier, while the second is returned to the branch to be used for checking against the invoice and the goods. The head office and the branch books should, therefore, correspond, any discrepancy being accounted for by shop pilferage or shrinkage. In those systems which supply the shops through depots, the buying is done at the head office. The existence of several local depots, or warehouses, minimizes to some extent the risk of buying being inappropriate on account of the varying tastes of the different neighbourhoods, but a large stock has to be carried when it has to act as a reserve for a number of shops. On the other hand, the buying functions can be specialized, and expert knowledge brought to bear on purchasing problems.

**ADVANTAGES OF THE MULTIPLE SHOP.** Much has been written, and still more has been said, on the question as to whether the multiple shop will ultimately spell the decline of the small retail shop, and whether the departmental store can resist the growing opposition and competition of the multiple shop. Amidst the controversy, the voice of the consumer can be heard asking how he will be affected by the contest. Among the advantages which may be claimed for the multiple shop system, the following are the chief—

(a) **Economies in Buying.** The chief advantage which the multiple shop system obtains over the small retailer is, that while it realizes most of the advantages of the ordinary retail trade, it also has access to the economies resulting from large-scale buying. With the growth of the organization through the opening of new branches, goods are required in large quantities, and the buying department finds itself in the position to ask for special prices from its suppliers and take advantage of discounts for quantity. The goods may be procured direct from the manufacturer, thus eliminating the wholesale dealer, and, if necessary, a wholesale department may be organized within the business to meet those manufacturers who, for one reason or another, refuse to deal direct with persons in the retail trade. A large multiple shop concern, trading on a strictly cash basis, is in a position to pay cash for its supplies if necessary, and in this way can obtain price concessions superior even to those obtained by

the wholesaler. The economies which are realized under this heading by the multiple shop are, perhaps, greater than those which can be obtained by any other form of organization in the retail trade with the possible exception of the co-operative store. In an extreme case, a large multiple shop system may absorb the entire production of a factory, and thus secure the full advantage of low prices.

(b) **Speedy Turnover.** By a careful study of the requirements of the locality in which they are placed, and by their lower prices, the multiple shops usually obtain a quick turnover. The individual shops in the system carry relatively small stocks which are renewed at frequent intervals from a central warehouse, thus ensuring that fresh goods are always in stock—an important point in stimulating sales. At the same time the stock returns of the branches are carefully scrutinized for slow-selling lines. The advantages of quick turnover are realized by other forms of undertaking in the retail trade, and even the small retail shopkeeper could reap the benefits accruing from such a policy. The fact that the multiple shop benefits to a greater extent than the small retail shop is due mainly to the more enlightened policy pursued by the management.

(c) **Low Cost of Doing Business.** Partly on account of the quick turnover, the multiple shops usually work with lower operating costs than many of their competitors. In other words, although their overhead charges are the same as those of their competitors, these expenses are spread over a much larger volume of sales, so that the percentage added to the cost of the goods is much lower. Again, most of the multiple shops sell on a strictly cash basis, and in this way eliminate the necessity of employing a clerical staff to supervise the more complicated accounting records which are necessary to a business which allows credit to its customers. In addition to this, losses due to bad debts are entirely eliminated. Yet another cause tending in the same direction is the fact that multiple shops do not usually maintain delivery services. Customers are expected to take away the goods they buy, thus eliminating yet another source of expense.

(d) **Low Prices.** As a result of the combined operation of the above causes, the multiple shop is enabled to undersell its competitors in many lines. This is done without any loss in the quality of the goods. This is especially the case where the stores concentrate on the sale of a limited range of articles of an unperishable nature.



**DISADVANTAGES OF THE MULTIPLE SHOP.** It has been said that the tremendous growth of the multiple shop with its comparatively low overhead charges, its absence of loss through credit, and its low ground rents, will in time oust the departmental store from the retail trade. The growth of the multiple shop system cannot be denied when one realizes that a well-known concern which now has over 350 branches throughout the country, has opened the last seventy within less than twelve months. But the departmental store always retains this great advantage to the consumer—he can satisfy a multitude of wants in the one building. The departmental store is also adapting itself to the new conditions, similar departments in a number of stores being linked together under a centralized selling system, so as to obtain the same advantages as the multiple shop and still retain the characteristic features of the departmental store. Outstanding disadvantages connected with the multiple shop system are the following—

(a) **Lack of Personal Service.** In order to achieve its success the methods of the multiple shop must be standardized to a large extent, so that there is little opportunity for attending to the idiosyncrasies of individual customers. To many people, no inducement of lower prices can compensate for this shortcoming, and here the small retailer scores one of his greatest advantages. He will grant credit, deliver goods at his customer's private address, and even order goods specially at the request of a good customer—services which the constitution of the multiple shop does not permit it to render.

(b) **Difficulties of Management.** Unless a system of strict supervision is maintained there is a risk of loss and of inefficient management when control lies in the hands of a local manager. As a general rule it may be said that a paid manager will never push the interests of the business to the same extent as the owner. This difficulty has been met to some extent by giving the manager an interest in the success of the business. The manager, in addition to his salary, is paid a certain percentage depending either on the sales or on the profits of his branch.

#### TEST PAPER VIII

1. Consider the merits of the multiple shop and indicate the sphere of retail trade in which it is likely to be most successful.
2. Outline the staff organization of a typical multiple shop system and point out the advantages which this system possesses over other types of retail business.

3. Compare the multiple shop with the departmental store and show how in each the tendency is to eliminate the middleman.

4. Compare the relative advantages and disadvantages of the multiple shop and the single shopkeeper.

5. Give your views on the effect of the increase of multiple shops on (a) the manufacturer, (b) the wholesaler, (c) the retailer.

6. The proprietors of a multiple shop company propose to open a new branch. Write a circular letter which can be delivered in the neighbourhood announcing the opening of the premises and giving particulars which you think will be likely to lead to custom.

7. Give some examples of sale direct to consumers by manufacturers, and discuss why this method of distribution is not adopted more generally.

8. Why does the multiple shop confine itself generally to one particular class of goods?

9. Compare and contrast the features of a large scale multiple shop business with those of a large scale departmental store business.

10. Taking a "multiple shop" firm as one owning six or more branches, the following figures relating to such firms selling provisions are extracted from records collected by the Ministry of Food in 1918—

Number of firms . . .	35	52	22	9	11	9	3	5
Average number of branches owned by each of these firms .	7	14	25	40	70	120	220	560
Average number of families served per branch	95	109	130	85	134	170	177	350

Examine these facts carefully and indicate what conclusions they suggest concerning the "multiple shop" problem in the English retail provision trade.

11. Give *in detail* what you consider to be the duties of a branch manager who is given complete control by headquarters, with special reference to the following points—

(a) Selection and management of the staff.

(b) The buying of commodities.

(c) The organization of the most efficient system of salesmanship.

## CHAPTER IX

### THE CO-OPERATIVE SYSTEM

ALTHOUGH the term "co-operation" is sometimes loosely applied to all forms of combined effort for the attainment of common ends, it is used in a more special sense to designate the definite types of industrial structure associated with the workmen's co-operative movement. Co-operative enterprises take a variety of forms, the principal ones being—

(a) *Productive co-operative undertakings*, where the ownership and management of manufacturing plants are vested in the workers.

(b) *Distributive co-operative undertakings*, where there is joint ownership and operation of the machinery of distribution by the consumers.

(c) *Financial co-operative undertakings*, such as banks, building societies, credit and insurance societies. The movement has developed variously in different countries. In Germany, for example, the most characteristic development of co-operation has been the farmers' co-operative bank. In Denmark and Ireland there has been a development of the farmers' co-operative production society, and in Great Britain the main development has been the consumers' co-operative society. It is with this last type we shall mainly concern ourselves in this chapter.

**OBJECTS OF CONSUMERS' CO-OPERATION.** It is an extremely difficult matter, in view of the diversity of objects aimed at, to give a precise definition of a co-operative society. "In a broad sense," says Professor Gide, "a consumers' co-operative society exists every time that a number of persons feeling the same need join together collectively to satisfy it better than they could do by individual means." Its chief aim, then, is to attempt to reduce the cost of living by eliminating the middleman and securing his profits for the consumer. The fundamental principle underlying this form of co-operation is the distribution of the surplus, representing the difference between receipts and costs, after paying a fixed rate of interest upon capital, not among the shareholders in proportion to their capital, nor yet among the workers in proportion to their

wages, but among the customers according to the magnitude of their purchases.

The justification for the establishment of these undertakings is based mainly on the alleged expensiveness and inefficiency of our present system of distribution. It is said that the existing machinery for the distribution of goods results in unduly high prices, poor or uncertain quality, deception of the buying public, and the forced sales of goods by advertising which are not always required by the consumer. The ideals of the co-operative movement lie in an attempt to reduce the cost of goods to the consumers either by buying direct from the manufacturer in such a way as to secure the doubtless economy of large-scale purchasing and the elimination of middlemen, or by producing goods in factories owned by the society. The supporters of the co-operative movement argue that the defects of the present system operate most harshly against the members of the working classes, whose means of purchasing, which are small at the outset, are further wasted by their inability to use them properly. They say that the poorer classes buy in small quantities from small and inefficient retailers whose goods have passed through the hands of a number of middlemen, each of whom has levied his share of profit. If compelled to purchase on credit, he submits to further impositions in the form of higher prices which the retailer is compelled to charge in order to protect himself against losses through bad debts. These inequalities are levelled by the co-operative system. We cannot, in this book, attempt a discussion of the justice of these contentions, and must content ourselves by thus indicating the main lines of the argument. It would seem, however, that the universal adoption of co-operation as a complete remedy for the evils of the present system would be foredoomed to failure. There is scope within the limits of the economic system for undertakings of every conceivable type, each developing according to the influence of its particular environment, so that no standardized type can hope to survive under every condition of economic life.

**DEVELOPMENT OF CONSUMERS' CO-OPERATION.** From an economic and social standpoint, the co-operative consumers' societies are regarded as the most important feature of the co-operative system, especially on account of the extent which they have assumed in Great Britain—their home. The development is usually traced back to the Rochdale Equitable Pioneers who have become classical

and who came into existence in July, 1844. There were, however, a whole series of consumers' co-operative societies before this time, sharing out the profits in the form of a rebate on the purchases of each individual member. Such associations can be proved to have existed in Scotland as early as 1769, and there are other associations in existence which dispute among themselves the honour of being first constituted. Self-help seemed to be a feature of the time, and it is no wonder that the idea prevailed in more than one mind at the same time, especially in view of the conditions of the retail trade and the desperate conditions of the workers at the beginning of the nineteenth century. The English co-operative movement may be said to have begun by William King (1786-1865). As a humanitarian philanthropist he sympathized with the workers, and recommended them to make use of their power as consumers. From 1827 onwards, he founded consumers' co-operative associations, and from 1828 to 1830 he published a periodical known as *The Co-operator*, in which he advocated the emancipation of the workers by means of education and the establishment of consumers' co-operative societies. Several hundreds of such societies are supposed to have existed about 1830, but probably many of them were friendly societies. At this time, the aims and ideals of the labour movement were very vague, and still more so were those of the consumers' co-operative societies. The English labour movement of that time took the form of the so-called "Chartist" movement which, until about 1832, took a very aggressive form, but after that year began to wage a systematic struggle for political rights. This movement made a profound impression on all classes of the population. Before 1844 it had established a number of co-operative centres for its adherents.

The great apostle of English Socialism, Robert Owen, the Welshman (1771-1858), did not at first think of a co-operative system. He tried to find a means for assisting the poor neglected factory workers, and, ultimately, imagined that he had found a solution in the establishment of self-sufficing communities which were to produce commodities for use and not for profit and interest. He called upon the workers to adopt self-help, and demanded protective legislation for the workers and education for the masses. His adherents established a consumers' co-operative society, the acquaintance of which he made in 1829 without thinking much of it. At best, he considered it fit to serve as a stepping stone towards his new

THE MANIFESTO DRAWN UP BY THE SOCIETY OF THE  
EQUITABLE PIONEERS OF ROCHDALE IN 1844

"The objects and plans of this Society are to form arrangements for the pecuniary benefit and the improvement of the social and domestic condition of its members, by raising a sufficient amount of capital, in shares of one pound each, to bring into operation the following plans and arrangements—

"The building, purchasing, or erecting of a number of houses in which those members, desiring to assist each other in improving their domestic and social condition, may reside.

"To commence the manufacture of such articles as the Society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages.

"As a further benefit and security to the members of this Society, the Society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated.

"That, as soon as practicable, this Society shall proceed to arrange the powers of production, distribution, education and government; or, in other words, to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.

"That, for the promotion of sobriety, a Temperance Hotel be opened in one of the Society's houses as soon as convenient."

communities which resemble the productive co-operative societies established by Fourier in France. His ideas continued to be confused with those of the Chartist movement and the example set by King. These we find embodied in the programme of the famous co-operative society which was founded at Rochdale in 1844, by twenty-eight poor weavers, and which has made its entry into the history of the world under the name of the Society of the Equitable Pioneers of Rochdale. Their famous manifesto, the text of which is given on page 125, provides that with the establishment of the consumers' co-operative society, the first steps were to be made for the improvement of the economic and social condition of the members. The co-operative store was to be followed by the construction or purchase of dwelling-houses, the setting up of factories to give employment to the unemployed members, and the acquisition of agricultural land for the same purpose. As soon as practicable, the co-operative societies were to pass on to the control of production, distribution, education, and government, or in other words, to set up self-sufficing communities. This far-reaching social programme, however, did not prevent the pioneers from proceeding in a very business-like manner. They introduced a dividend in the shape of a rebate on the amount of purchases at the end of the year, and fixed their sales at the ordinary daily market prices. Cash payment, political and religious equality have sealed their great success, so that the consumers' co-operative movement throughout the world now looks upon these Rochdale weavers as their prototype. As a matter of fact, the incessant growth of the co-operative movement dates from 1844, and was further linked with the growth of English trade unionism.

Along with the freedom of thought which is typical of the Englishman, there was a strong sentimental influence which continually asserted itself, so that Great Britain became not only the home of the consumers' societies, but also of the trade unions.

**FORMATION OF A CO-OPERATIVE SOCIETY.** Co-operative societies are almost invariably registered under the Industrial and Provident Societies Acts, which constitute the principal body of legislation regulating their activities. Clause IV of the Act of 1893 lays down the objects which permit of the registration of a society under the provisions of the Act in the following terms—

A society which may be registered under this Act (herein called an

Industrial and Provident Society) is a society for carrying on any industries, businesses, or trades specified in or authorized by its rules, whether wholesale or retail, and including dealings of any description with land.

The society must have at least seven members before it can be registered, but, by the Act of 1913, two members are sufficient if they are registered societies. Application for registration must be made to the Registrar of Friendly Societies, and must be signed by seven members and the secretary of the society. Two copies of the rules of the new society will be sent with the application. Although the societies are at liberty to lay down their own rules and regulations within limits, Schedule II of the 1893 Act contains a statement of matters to be provided for in the rules of a society registered under the Act.

The chief of these are the following—

1. The object, name, and registered office of the society.
2. The terms of admission of members.
3. Method of holding meetings and of voting.
4. Appointment and removal of the committee.
5. Determination of the number of shares one member may hold.
6. Policy regarding the transfer and withdrawal of shares.
7. Mode of application of profits.

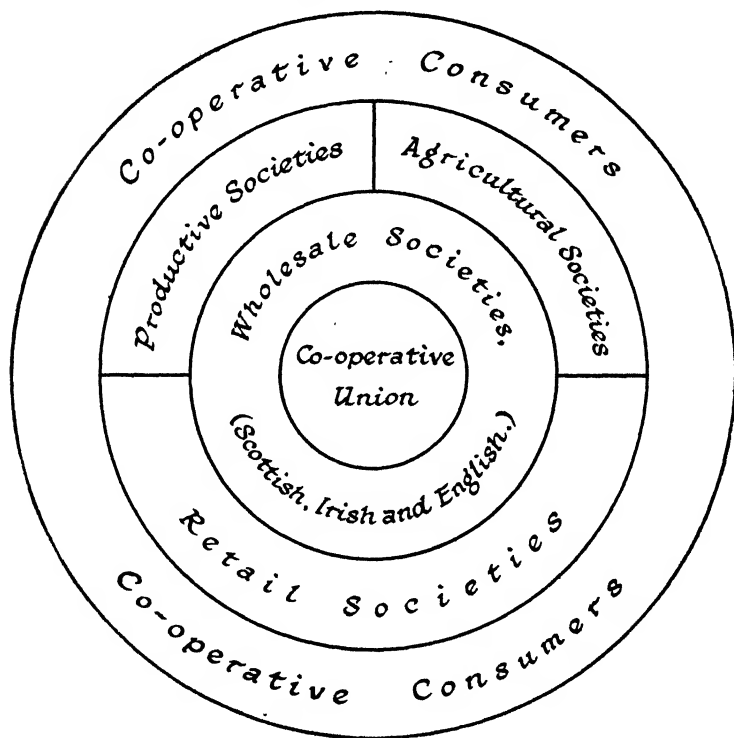
After the formalities of registration have been completed, the committee must turn its attention to the selection of a manager and a secretary. In appointing a manager it is considered that it is of the greatest importance that a person with undoubted co-operative sympathies should be given preference. By following this aim, however, it frequently results that societies do not succeed in attracting the best business ability to the movement, and this tendency is accentuated by the fact that the salaries of the managerial staffs are not always equal to those obtainable under private enterprise in similar posts. The secretary, too, must be selected with care, for upon him depends much of the business organization and especially the accuracy and efficiency of the accounting system. Formerly, the post of secretary was a part-time one usually performed by a member of the committee, but this is rarely the case at the present day. In some societies, however, the posts of general manager and



secretary may be combined, so that the executive responsibility rests in one man alone.

As soon as possible after the formation of the society, application should be made for the society to be admitted as a member

### STRUCTURE OF THE CO-OPERATIVE MOVEMENT



of the Co-operative Union and of the Co-operative Wholesale Society. The Co-operative Union is the central organization of the British co-operative movement, and membership is open to Industrial and Provident Societies, Joint-stock Companies, and other corporate bodies, but not to individuals. Every society joining the Union must take up one five-shilling share upon which no interest is payable. Annual subscriptions are payable in addition. Retail societies pay an annual subscription of 2d. for each of their own

members, the basis of payment being the number of members returned by each society in its last annual return to the Registrar. Special subscriptions are payable by other societies. A society desiring to become a member of the English Co-operative Wholesale Society must take up shares to the value of £5 for every two of its members.

**ORGANIZATION OF A RETAIL SOCIETY.** The control, management, and administration of a society are vested in the members, the committee, and the officials of the society. The duty of the committee may be said to be that of formulating the general policy of the society, whilst that of the members is to influence this policy by exercising their right of criticism of the published accounts and the reports of the committee. The committee should supervise the officials of the society in the execution of this policy through the medium of the reports and returns which the latter place before them at frequent intervals.

A committee, therefore, is a body of trustees representing the members of the society and taking care of their interests. With a few exceptions, where the rules of the society provide otherwise, the committeeman is not an employee of the society. The rules laid down regarding the qualifications of a member of the committee vary with the different societies, and may cover a number of matters. Thus, in the Model Rules issued by the Co-operative Union for the guidance of societies, the following stipulations are made—

No person can be a committeeman who is not a member; and a person who holds any office of profit under the society other than an office remunerated in manner provided by Rule 105, shall be disqualified from being a committeeman; and any person who accepts such a place, or becomes bankrupt, or is concerned in the profits of any contract made with the society, except as a member or employee of any society or company which contracts with or does any work for it, shall thereupon vacate his office.

In addition to provisions such as the foregoing, the rules of a society often stipulate that the committeeman must hold a certain minimum number of shares in the society, or purchase goods to a certain value every year. The number of members serving on a committee varies with the size and range of activities of the society. In determining the size of a committee, two factors must be given consideration. The committee should be sufficiently large

to deal properly with every aspect of the business of the society without making undue demands on the time of the members. On the other hand, however, the committee should not be allowed to grow too large, since a big committee reduces the possibility of making prompt decisions and securing the rapid dispatch of business.

The functions of the committee of a co-operative society may be summarized as follows—

1. It is responsible for the appointment of the managerial staff of the society, and for fixing their duties and remuneration.
2. It must see to the provision of premises and other equipment for carrying out the business of the society.
3. It must keep a strict control over the finances of the society, and must control all investments made with the funds of the organization.
4. It is responsible for the supervision of the working of the business, and for seeing that the trading operations are conducted on economic lines.
5. It must control the sources of supply of merchandise, and maintain a close contact with other co-operative organizations.
6. It must do everything in its power to foster the spirit of co-operation, and assist the expansion of the movement.

For the purpose of fulfilling these duties, the committee will usually appoint a number of standing sub-committees to deal with different departments. Thus, there may be a Foodstuffs Sub-Committee which will deal with the business of the grocery, butchering, confectionery, and similar departments. There may be a Clothing Sub-Committee dealing with the drapery, millinery, boot and shoe departments, while a third sub-committee may deal with finance. All these sub-committees are, however, subject to the general committee of the society, which has the power to vary or reverse any of their decisions. These sub-committees meet once every week or fortnight according to circumstances, and receive a report from the managers of the departments under their supervision. A specimen of such a report is given on pages 132 and 133, and should deal with such matters as—

1. Trading returns.
2. Working expenses.
3. The staff.
4. Special developments influencing the society.

For the active management of the business of the whole society, a general manager is usually appointed who is subject to the control of the committee. He should possess a sound general knowledge of the working of each department of the society, so that he is competent to suggest improvements. He should have a sound knowledge of finance as well as administrative ability. The manager will be held responsible for the buying although he may not do it in person, but delegate the duty to departmental managers under him. The committee, however, will require to be kept informed of his buying activities, and may fix general limits to the amount of stock he may hold at any one time. Where purchases of exceptional magnitude have to be made, the manager may be required to secure special authority from the committee. As far as possible, the manager will be required to purchase from co-operative sources of supply, and when he sees that it may be to the greater advantage of the society to buy from outside sources he must report accordingly to the committee. The manager will also be held responsible for fixing retail selling prices, and for seeing that goods of the same quality are sold at the same rate in all the shops. The committee, of course, will call for periodical returns in order to know what percentage is being added to the cost price of certain lines.

Under the general manager there may be either a number of branch managers each in charge of a separate shop, or a number of departmental managers each of whom, in his own department, may control several shops. Branch managers controlling separate branch shops have, in a smaller degree, all the responsibilities of the general manager. The departmental manager, where this method of control exists, is an expert placed in direct control of that particular branch of the business in which his specialized knowledge will be of most value. The organization of the branches of departments under these managers does not differ in essentials from that already described in connection with the departmental store

**THE PURCHASE OF GOODS.** In former days, the committee of the society often took a large share in the purchase of supplies, but the day has gone by when this could be done with any degree of success. The placing of orders at the present day calls for a high degree of technical knowledge and a constant observation of market fluctuations. The buying is therefore left in the hands of the general manager who, in the case of a big society, will delegate the duty to

## SPECIMEN REPORT OF DEPARTMENTAL

19th December, 19—

To The Grocery Sub-Committee.

Gentlemen,

The trade during the past week has been satisfactory and, probably on account of the approach of the Christmas season, the sales of each branch show an increase over those recorded for last week. The total sales for the month show a considerable advance over those for the same period last December, and there is every evidence that this gain will be maintained.

The development of this department at No. 4 Branch has rendered the existing staff inadequate for efficient service, and I have therefore appointed an additional salesman, Robert Jones, who will commence his duties immediately on the society's scale of wages. In view of the fact that Mr. John Robinson, the head shopman at No. 1 Branch, attains the age for retirement under the society's superannuation scheme on the 16th of next month, I recommend that Mr. F. Johnson, the second counterman at the Central be appointed in his place, and that a new boy be engaged at Central.

Our sales of sugar have suffered somewhat during the past fortnight owing to the fact that a competitor is selling a special cheap line at one penny below our price. I do not recommend making any cut in our selling price as this competition is not likely to be sustained or to cause any permanent diversion of trade in this line. The stocks of all special lines of Christmas goods are being cleared in a satisfactory manner. The supplies on hand are likely to be ample to meet all requirements during the next few days, leaving little surplus to be cleared after the Christmas trade is over.

The total value of goods invoiced during the week amounts to £4,000, of which £3,600, or 90 per cent, came from the C.W.S., and 10 per cent from outside sources. Goods on order but not yet delivered amount roughly to £1,000, while running contracts for various classes of goods amount to £2,000.

The following are the weekly statistical statements.

## MANAGER TO SUB-COMMITTEE

## STATEMENT OF PURCHASES

Source of Supply	This Week		This Week Last Year		Quarter to Date	
	Total	%	Total	%	Total	%
	£		£		£	
C.W.S. . . . .	3,600	90	2,400	80	32,400	90
Other Co-operative suppliers. . . .	200	5			600	1½
Private dealers . . . .	200	5	600	20	3,000	8½
Total . . . . .	4,000	100	3,000	100	36,000	100

## SALES, WAGES, AND STOCKS

	Central	No. 1 Branch	No. 2 Branch	No. 3 Branch	No. 4 Branch	Total
	£	£	£	£	£	£
SALES—						
This week . . . .	800	400	300	200	300	2,000
Corresponding week last year . .	600	350	250	200	100	1,500
WAGES . . . . .	40	25	17	10	8	100
ESTIMATED STOCK . . . .	4,000	1,500	1,000	600	900	8,000
Sales for quarter to date . . . .	9,000	4,000	3,000	1,500	2,500	20,000

Signed.....*Henry Fielding*.....  
Grocery Manager

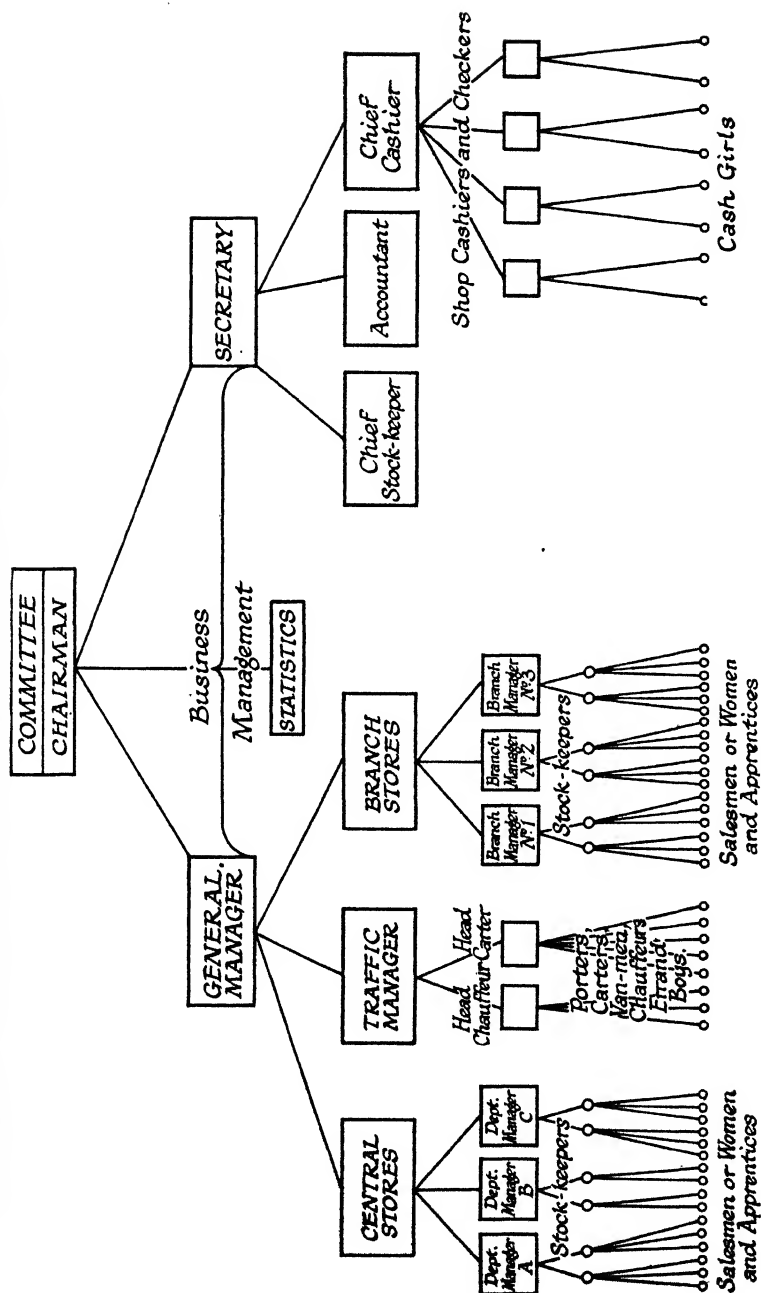
a number of specialized departmental managers. The buyer for a co-operative society is much more restricted in his choice of sources of supply than the buyer of a private concern. The committee will require their buyers to purchase the bulk, or the whole of their requirements, from the Co-operative Wholesale Society or other co-operative sources, so that the buyer can only enter the open market to make his purchases as the last resort. The co-operative buyer who, without good reason for his action, passes by co-operative sources of supply, renders himself liable to censure for not serving the best interests of his society and of the co-operative movement in general.

The bulk of the purchases will be made through the Co-operative Wholesale Society, of which the retail society will be a member. The Co-operative Wholesale Society furnishes three types of price lists to its members, namely, a daily list of those commodities the prices of which are continually fluctuating; a weekly price list of more stable commodities, and a quarterly list of commodities subject to slight variations. As a general rule, when the society has a number of branches, orders for the whole organization are placed through the one channel. It is customary for the local branches to send in their orders for all types of goods, written on the same order sheet, to the Central Store. Here, the various items are classified, and order forms are prepared for dispatch to the Wholesale Society.

The actual method of ordering the goods is somewhat different from that employed by private traders. Orders are not always sent through the post, but often they are placed by the buyers from the various societies who attend on a certain day every week at the Co-operative Wholesale Society's sale-rooms, or at those of the wholesale depots in the various parts of the country. The buyers are able to enter the various departments of the wholesale depot and inspect the goods or samples of them before placing their orders. The order forms are generally supplied to the societies by the Co-operative Wholesale Society in book form, but the societies may use their own special forms. An example of a typical order form used by a retail society in ordering from the wholesale society is given on page 136.

The establishment of the two principal sub-centres of the Co-operative Wholesale Society at Newcastle and London, and later, the

# SCHEME OF ORGANISATION OF A LARGE CO-OPERATIVE RETAIL SOCIETY







opening of sales depots in Leeds, Bristol, Huddersfield, Nottingham, Northampton, Cardiff, and Birmingham, has made it possible for the societies in the various districts to receive their goods through the agency of these depots. The manner in which these orders are handled at the wholesale depot is described in Chapter XI.

In many cases, when the society is situated near one of the Co-operative Wholesale Society's factories and wishes to place a

## TRAVELLER'S ORDER FORM

**CO-OPERATIVE WHOLESALE SOCIETY, LTD.**

CARDIFF,.....19—

Day Book Folio.....

TOBACCO FACTORY, SHARP STREET.

Carrier: \_\_\_\_\_ Society.

..... Address.

Order No.: ..... Station. .... County.

Quantity Ordered	DESCRIPTION	Quantity Sent		Price		
		lb	ozs.		£	s. d.

Date forwarded.....19      Signed .....

No. of Packages ..... No.....

fairly substantial order for the commodity produced, orders are placed direct with the factory. The factories also appoint travellers to cover different districts, and these call regularly on the different societies in their areas. Let us assume that the traveller from the Co-operative Wholesale Society's Tobacco Factory calls upon the Bedrock Co-operative Society and secures an order. He fills in an order form as shown on page 137, the form being made out in triplicate. One copy is retained by the society placing the order, while the other two are forwarded to the tobacco factory. On reaching the factory the order is entered into the Day Book or Order Book, after which it is passed to the Stock Department. There, the goods are taken from stock and packed up and forwarded with one of the copies of the order to the railway goods depot. Having thus attended to the dispatch of the goods, the price column of the copy of the order retained by the factory will be completed. From this order invoices can be made out, one copy being sent to the society making the purchase, and one to the head office of the Co-operative Wholesale Society through which the settlement of the transaction is effected.

The settlement of transactions which take place between co-operative organizations differs considerably from the procedure adopted under private enterprise. The wholesale society, or the factory which makes the sale, invoices the goods to the retail society, as shown on page 139. At the same time, a return of all goods invoiced is sent to the Central Office in Manchester, from which all statements are dispatched; and to which all payments are finally made through the Co-operative Wholesale Society Bank. The majority of societies dealing with the Co-operative Wholesale Society have an account with the Co-operative Wholesale Society Bank, so that payment is easily effected. Thus, the wholesale and manufacturing organizations do not require to keep sales ledgers and maintain the usual organization for dealing with customers.

The bank will send out a weekly statement on the lines of the example given on page 140. Such statements do not give particulars of the goods supplied, but are merely copies of the society's account in the ledger after a week's trading. They show on the debit side the balance brought forward from the previous week (if any), and particulars of goods sold to the society during the period under review. On the credit side is shown the last cash receipt and

**Grocery Department.**

1 BALLOON STREET,

# Manchester.

**IN CORRESPONDENCE PLEASE QUOTE**

No. 01/4550

327

..... 22nd January, 19.....

.....Bedrock.

Co-operative Society Limited.

All "food" and "drugs" included in this invoice are, for the purposes and within the meaning of the Sale of Food and Drugs Acts, hereby warranted to be of the nature, substance, and quality described in this invoice.

Bought of CO-OPERATIVE WHOLESALE SOCIETY LIMITED

**No claim will be entertained for goods herewith invoiced unless made within ten days after receipt of goods.**

[illegible]

# SUMMARY STATEMENT OF TRADE ACCOUNT

THIRTEENTH WEEK ENDED OCTOBER 13TH, 19—

The ..... *Bedrock* ..... Co-operative Society Limited, in account with

## CO-OPERATIVE WHOLESALE SOCIETY, LIMITED

1 BALLOON STREET, MANCHESTER

Dr.

Cr.

				£	s.	d.	19—
19—							
Oct. 6.—To Balance	.	.	.	947	18	4	Oct. 6.—By Balance . . .
Oct. 13.—, Goods	.	.	.	643	2	4	Oct. 13.—, Cash . . .
Less Returns, etc.	.	.	.	22	—	3	
Oct. 13.—Balance due to you	.	.	.	621	2	1	Oct. 13.—Balance due from you . . .
				£ 1,569	—	5	£ 1,569
							— 5

Any discrepancy in a Statement should be pointed out immediately.

REMITTANCES TO BE INCLUDED IN CURRENT WEEK'S ACCOUNT MUST REACH US NOT LATER THAN  
12 NOON ON SATURDAY NEXT.

any outstanding balance. Societies make weekly payments in cash or by cheque drawn on their accounts. Societies may pay in cash deposits through the bank branches at the various depots. It is, therefore, possible for debts to be settled without the actual passing of cash, through the offsetting of accounts. Finally, the transaction is closed when the banking department sends a receipt to the society.

**THE SALE OF GOODS.** While the committee usually exercise a close control over the general policy of price fixing, the determination of the prices of individual articles is left in the hands of the manager. The question of the percentage which shall be added to cost in order to cover working expenses and allow a reasonable profit is one which has given rise to a great deal of dispute. The policy which is followed depends upon whether the members wish to purchase their goods cheaply and content themselves with a low rate of dividend, or wish for a high rate of dividend. In the light of the fundamental principles underlying the co-operative movement, the making of dividend is not a primary object of the system, but its success should rather be measured by the service which it renders to its members. A society which has as its object the sale

STATEMENT SHOWING PERCENTAGE OF GROSS PROFIT  
FOR QUARTER ENDED 31st MARCH, 19—

	Grocery and Provisions Dept.	Green- grocery Dept.	Drapery Dept.
Stock on Jan. 1st . . . .	£4,000	£500	£2,000
Purchases . . . . .	6,000	1,000	3,000
Total Stock . . . . .	10,000	1,500	5,000
Less Stock on March 31st . . . .	3,000	400	1,500
Cost Price of Goods Sold . . . .	7,000	1,100	3,500
Sales for Quarter . . . . .	9,000	1,600	4,000
Gross Profit . . . . .	2,000	500	500
Percentage of Gross Profit on cost of goods sold . . . . .	29%	45%	14%
Percentage of Gross Profit on sel- ling price of goods . . . . .	22%	31%	13%

of goods at the lowest price may be rendering a far greater service to its members and the community as a whole than the one which aims at paying big dividends. Hence, in order that the committee may exercise an effective supervision in this matter, they should be supplied with a statement on the lines given on page 141 of the average gross profit which has been added to the cost price of the goods in each department of the business.

Another point connected with sales policy upon which differences of opinion exist is that of credit trading. In its origin, at all events, transactions with members were conducted on a strictly cash basis, and for this reason any tendency to follow the example of private undertakings in extending credit facilities is condemned by many co-operators as being contrary to the spirit and principles of the movement. Nevertheless, in spite of this opposition, in some districts the idea of credit trading is so deeply ingrained that societies have been compelled to sink their principles in order to obtain a footing. Perhaps the most common system of credit takes the form of weekly credit, where the account is settled every week, before further credit is extended.

### TEST PAPER IX

1. Mention the most important types of co-operative society to be found in (a) Great Britain, (b) Denmark, (c) Germany.

2. What are the economic characteristics of the following types of co-operative society: (a) Consumers' society, (b) societies of craftsmen co-operatively engaged in production, (c) societies of farmers engaged in buying and selling?

3. What are co-operative productive societies? How do they differ from other types of co-operative society?

4. What are the distinctive features of a co-operative society engaged in the distribution of goods?

5. What are the main points of difference between the producers' and the consumers' co-operative society?

6. What were the chief points in the programme of the Rochdale Pioneers?

7. Indicate the principal differences between (a) a consumers' co-operative society, (b) a joint-stock company, as forms of business organization.

8. What are the relations between the local co-operative stores and (a) its members, (b) the C.W.S.?

9. How is the small trader in the provinces or the suburbs of large towns affected by the competition of (a) multiple shops, (b) departmental stores, (c) co-operative societies?

10. How is a retail distributive society governed? Who may be members of a retail distributive society?

11. Give a short description of the duties which usually devolve upon the manager of a co-operative society.

12. Explain four items for which provision must be made in the rules of a co-operative society. State what you consider to be the object of these provisions.

13. What do you consider to be the limitations of the co-operative distributive system?

14. If you were the cashier of a large retail co-operative society, what system would you adopt regarding the giving of receipts when money was paid to your department by customers and others?

15. State fully the course of business followed in the execution and delivery of goods by the wholesale to the retail co-operative society, explaining the nature and use of documents in connection therewith.

16. If you were appointed the manager of a co-operative retail distributive society and given a free hand, what steps would you take to increase the size of the business of the society?

17. Copy the organization chart for a co-operative retail society on page 135, and describe briefly the chief function of each section of the organization.

18. Compare briefly a joint-stock company and a co-operative society in respect of their powers, liability of members, and convenience for business purposes.

19. What are the chief points of resemblance and of difference in the organization of a departmental store, a multiple shop, and a co-operative society?

20. What is meant by the term "the capital of a co-operative society"? In what form is the capital obtained, and which forms would you encourage and why?

21. The capital of a joint-stock company is £10,000, all in ordinary shares; the capital of a co-operative society is likewise £10,000, all in shares bearing interest at the rate of 5 per cent per annum. Each organization has a trade turnover of £50,000 in a year and shows a gross surplus equal to 20 per cent of sales. Expenses (apart from interest on capital) absorb 75 per cent of gross surplus in each business. What is the maximum dividend that can be paid on the shares of the company, and the maximum dividend on purchases (to the fraction of a penny) that can be paid by the society? If the trade of each concern showed an increase of 20 per cent, and the rate of gross surplus and expenses remained the same, what would then be the rate of dividend payable in the two cases?



## SECTION II

# ECONOMICS OF THE WHOLESALE TRADE

### CHAPTER X

#### VARIOUS KINDS OF WHOLESALE TRADE

THE essential characteristic of every commercial undertaking is that it carries out a mediating activity between the production of goods and their consumption. The process of production does not end with the actual physical manufacture of commodities, but must also include the processes by which they are placed at the disposal of the consumer at the time and in the place where he requires them. This last function is carried out by the merchant who, in one form or another, provides a link between the specialized producer and the consumer. In other words, the producer imparts utility of *form* to a commodity, whilst the utilities of *time* and *place* are contributed by the merchant. He organizes the demand for various products on behalf of the producer who cannot easily devote his attention to distributive functions. It may be stated as a general principle that the ultimate consumer must be reached through a retailer, but even these are so numerous that to reach them is a task not lightly to be attempted by producers, whose main energies must be given to other work. This task falls to the lot of the middlemen who study the wants of consumers and the resources of the producers, and then co-ordinate them.

**MARKETING FUNCTIONS.** In addition to these general distributive activities, however, the middleman performs certain technical services in the physical handling of the goods. The chief of these, in addition to actually effecting the sales, are the following—

**Assembling.** Many types of commodity are produced in small quantities by a number of independent producers, and it is, therefore, necessary that these scattered sources of supply should be sought out, and the commodities concentrated in one place in sufficiently large quantities to be sold economically. This is particularly true of agricultural produce which, in this country, is raised in small units insufficient, as a rule, to constitute commercial shipments. These small units have, therefore, to be assembled and concentrated

at certain points before distribution from the areas of production to those of consumption can be conveniently and economically carried out. In purely local marketing, where producers sell direct to local retailers or consumers, this process of assembling may be rendered unnecessary, but where the goods are sold at some distance from the point of production, assembling is almost inevitable. As an example of this activity, the marketing of eggs may be quoted. It is undertaken in the thinly-populated districts by collectors, who are known as "higglers." These call at the farms with a cart or motor-van once or twice weekly, buy up all the eggs on offer and pay cash. They may buy on their own account, or they may work for large buyers on a commission basis. In some cases, this function may be performed by a producers' co-operative society, which collects supplies from its members at a standard price and disposes of them either to wholesalers or retailers.

**Standardizing and Grading.** The service of sorting out products into groups of uniform kind, quality, and size is known as grading. Standardization, on the other hand, aims at making it possible from month to month and from year to year to give permanence to grades. Consider the fruit trade as an example, where the operation is divided into two parts. The first of these is known as *culling*, which means the removal of all specimens which are unmarketable by reason of size, blemish, damage, or malformation. If this process is omitted, loss is incurred by the dealer at every stage for he pays packing costs and carriage on the culls, and, not only does he get little or nothing for them, but they lower considerably the value of the rest of the package in the eyes of possible purchasers. The second stage of grading consists in the separation of the fruit into classes based on size, colour, and condition. The number of these classes or grades and their definition depend on the kinds of fruit; for instance, the grades for apples can be more numerous and more sharply defined than can those of soft fruit.

The effect of grading is to promote mutual confidence in the minds of buyers and consumers generally, and lessens the volume of waste. It further provides a basis for a universal system of trading in which inspection need not invariably precede purchase, and acts as a direct encouragement of long-distance trading. In other words, it simplifies marketing and assists in the enlargement of the area of the market. Again, it increases the speed of distribution—a factor

of vital importance in the sale of perishable commodities—and effects economies in labour, time, and money at all stages of distribution. Standardization and grading are intimately connected with the question of storage, since serious waste may readily occur when storing ungraded produce.

**Packing.** The middleman may undertake the duty of packing the goods in the containers in which they are to be sold to the ultimate consumer. Few farm products, for example, arrive in the hands of the consumer without some packing either to facilitate handling, or to prevent excessive shrinkage or waste. Where a degree of standardization exists with regard to the produce dealt in, the sizes of the packages employed in the marketing may also be standardized. The packing of goods will also call for certain technical requirements which will vary according to the nature of the commodity. Thus, in the fruit trade, the main essentials which make for success are—

- (a) Tightness of packing, and
- (b) Distribution of pressure resistance.

**Storage.** This consists in putting commodities in a place of safe-keeping until such time as the market or the consumer can use them. Storage has always been recognized as a fundamental economic service in the smoothing out of supplies, the object being to adjust supplies to the buyers' needs so that price levels are kept steady and even. As the service of transport equalizes supply and demand from the standpoint of place, storage equalizes them from the standpoint of time. Furthermore, storage prevents great waste by taking surplus products which otherwise might fail to find a profitable market, and keeping them until they can be sold to advantage. In other words, it assists the orderly marketing of merchandise and removes a great burden from the shoulders of the primary producer, especially in the case of perishable commodities.

There has been, in recent years, a tendency for dealers and manufacturers to carry stocks of goods which have been reduced to the smallest possible proportions consistent with maintaining the uninterrupted conduct of business. In the case of goods which are produced only at certain seasons, such as agricultural produce, it is essential that someone should provide accommodation for the goods. This is a function which is performed by the middleman. Such services, however, involve the maintenance of a business organization, the use of extensive buildings, machinery and equipment of a

specialized nature. Storage facilities must be adapted to the products, and this may involve the regulation of temperature, humidity, and other factors.

**Transportation.** This is one of the most important functions in the marketing process. If we trace the history of any commodity from its production through the various stages of conversion to the finished article, of storage and of marketing, we shall find that transport is involved at almost every other step. It has made available for our use a great variety of goods which can be drawn from all parts of the world. The provision of efficient transport facilities calls for considerable specialized knowledge. In those producing areas where the volume of traffic is considerable, special attention is given to the supply of the proper type and quantity of rolling stock, and the adjustment of loading times to suit the particular needs of the traffic. Since the cost of transport may form a considerable percentage of the total cost of the article, the middleman must avail himself of every possible economy in transport costs. He may do this by—

(a) The elimination of unnecessary haulage from one part of the country to another.

(b) Taking advantage of any concessions offered for consignments in bulk over a certain weight.

(c) Avoiding the reconsignment of goods from one point to another as far as practicable.

**NATURE OF THE TRADE.** According to whether a trader deals in commodities which he has acquired himself by purchase, or devotes himself to acquiring commodities to the instructions and on account of a principal, a distinction may be made between—

(a) Wholesale trade on one's own account, and

(b) Wholesale commission business.

In the following pages we shall concern ourselves chiefly with the wholesale trader who is carrying on business on his own account. A person who buys or sells on commission by instruction and for the account of a third party is called a commission agent, whilst the principal is said to trade on his own account. An advantage of the commission business is to be found in the fact that the commission agent, unlike the trader on his own account, does not take the risks of trade himself.

Commission trade is prevalent, especially in the wholesale produce

business and in dealing in stocks and shares. These commission agents take the place of salesmen employed directly by the seller of the goods, and, as a rule, confine their activities to one line of merchandise, thereby becoming experts in the marketing of this commodity. Thus, in the fruit trade, for example, we find the employment of the *commission salesman* whose primary function is to dispose of senders' fruit in any direction where, in his expert judgment, the best results are at that time obtainable. In addition to the actual service of finding customers, the salesman usually supplies the grower with bags, baskets, or other containers in which the produce is packed, and pays on the growers' behalf any freight or other charges which may be due. The experienced commission salesman has a regular and extensive connection with the wholesale merchants and retailers in that part of the country which his particular market serves. As a rule he has considerable warehouse accommodation in which stocks may be inspected, so that he can supply first-hand those buyers whose requirements are insufficient to justify attendance at auctions. Again, in the fruit trade *commission buyers* are frequently employed. These agents operate chiefly in Covent Garden, and act as buying agents for the provincial wholesale merchants who are unable to visit the market personally. An experienced commission buyer does not necessarily adhere closely to his buying instructions, but enjoys a fair amount of latitude.

In so far as a commission agent places his services at the disposal of the trader, he requires an organization similar to that used by the trader on his own account. He carries out his buying and selling transactions in the same way as the latter, and in his dealings with third parties often acts in his own name. In his business methods he closely resembles the ordinary trader. Hence, it is not necessary to enter into a detailed treatment of the management of a commission business. On the other hand, we shall have occasion from time to time to refer to the services rendered by such middlemen as the agent, the broker, and the auctioneer, all of whom are remunerated on a commission basis.

**TRADE BASED ON THE CLASS OF CONSUMERS.** The nature of business organization is greatly influenced by the sphere of consumption. According to the nature of the consumers, trade is classified as *Wholesale* and *Retail*, and to these may be added the

*Intermediary Trade*, unless the latter be regarded as a peculiar form of Wholesale Trade.

The trader directs the flow of commodities from the hands of the producer into those of the consumer; he is thus the necessary link between these two economic extremes. The barriers of persons, place, and time which have to be overcome are of such a nature that one single link or trader is insufficient to surmount them, and usually several links have to intervene. The trader who buys his goods from the producer does so on a large scale; he warehouses the goods, and resells them in smaller quantities to another trader who, in turn, sells the goods to the consumer in small quantities. The person who buys the goods from the producer and sells them again to another trader is said to carry on Wholesale Trade. The trader who buys from the producer may be described as a *Collecting Trader*, whilst the one who buys the goods from the wholesaler to sell to the consumer may be described as a *Distributing Trader* in the retail trade.

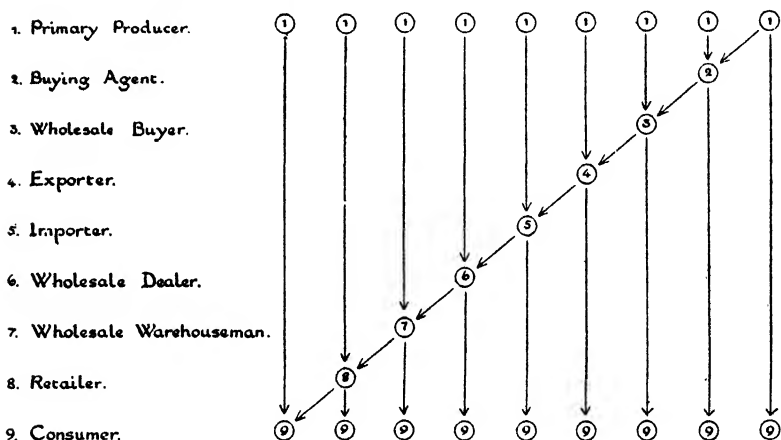
Thus, as an example of a collecting trader we have already cited that of the higgler in the marketing of eggs. In the same trade we also find the country wholesaler whose function is practically the same, the broad distinction being that the higgler is tributary to the dealer or wholesaler who buys the produce brought in by many collectors and arranges for its assembly and dispatch in large quantities to distant consuming centres. The dealer may be an agent buying wholly or mainly for a city wholesale firm by whom he is advised periodically as to the condition of the market. In like manner, in the fruit trade we frequently find a country buyer intervening. He is usually an agent who lives near the markets during the selling season and, in addition to buying on commission for a principal, often buys up parcels on his own account and dispatches them to selected markets.

Frequently, further links intervene in the course from the producer to the consumer, especially in the foreign trade. Certain traders may acquire the goods from a wholesale merchant on the one hand, and resell them to another wholesale merchant abroad. Such businesses may be considered as carrying on an intermediary trade. Thus, in the first instance, it is the Collecting Trade which buys up the goods from the various producers, collects and sorts them and prepares them for dispatch, and then directs them to the

places from which they are exported. We have, therefore, the additional link between the producer and the consumer in the form of the exporters, importers, and wholesale dealers.

It is rarely the case that the importers resell the goods direct to the retailers, but generally their customers are the wholesale dealers in the home countries, who, in their turn, distribute the goods to

Links between the Producer and Consumer.



local wholesale warehousemen or to retailers. Each of these undertakings usually carries on business on his own account, and thus becomes the proprietor of the goods in which he deals.

These various links are shown in the diagram above. It will be seen that numbers 2 and 3 are collecting traders, numbers 4, 5, and 6 are pure intermediaries engaged in world trade, whilst numbers 7 and 8 are engaged in the distributing trade. Between each of these links there may intervene a number of mediators such as commission agents, brokers, and auctioneers.

**WHOLESALE v. RETAIL TRADE.** There are essential differences in the business methods of the wholesale and retail trade, the chief of which are summarized in the table on page 152. In the retail trade buying is of a more speculative nature in view of the fact that demand cannot be so easily gauged. Moreover, the attitude of the collecting wholesaler who is in direct touch with the primary producer is bound to be an entirely different one from that of the retail

distributor who sells to the ultimate consumer. The wholesaler must direct his attention continually to the quantity and quality of production, and must keep in the closest possible touch with the producers in order to cope with the demands which are continually made upon him. By the continual fulfilment of his obligations he will endeavour to gain their full confidence, and he may even go so far as to assist production by supplying the necessary capital. The retailer on the other hand, must direct his attention more to the side of consumption, and he must endeavour to maintain his stock in accordance with existing demands and the purchasing power of his customers; as far as possible he must study the wishes of his customers. The intermediary trader must take a much wider view of his commercial activity than the other two. He must look round in all directions to discover opportunities of purchase, and in order to direct the goods in the cheapest way to the most advantageous market. This calls for great circumspection, wide experience, and much capital, as well as extensive connections.

**CLASSIFICATION OF THE WHOLESALE TRADE.** Whilst the different kinds of retail trade find expression chiefly in the form and extent of the business, the wholesale trade is organized more according to the commodities dealt in and the functions performed by the business. In this connection there are two well-marked divisions of the wholesale trade, viz.—

(a) In regard to the particular goods dealt in by the wholesale trade, two groups may be distinguished, and these in turn are further subdivided—

(i) *Wholesale Trade in Raw Materials and Foodstuffs*, which in regard to the production of the goods may be divided into—

(a) Wholesale trade in the products of agriculture, forestry, cattle raising, and of tropical plantations. Among such products are cereals, flour, timber, wool, tea, coffee, cotton, and rubber.

(b) Wholesale trade in the products of mining and smelting, such as coal, ore, salt, pig iron, etc.

(ii) *Wholesale Trade in Manufactured Goods*, as for example in hosiery, yarn, cloth, and furniture.

(b) From the standpoint of the economic function of the wholesale trade, four classes may be distinguished, viz. Home Wholesale Trade, Import Trade, Export Trade, and Entrepreneur Trade.

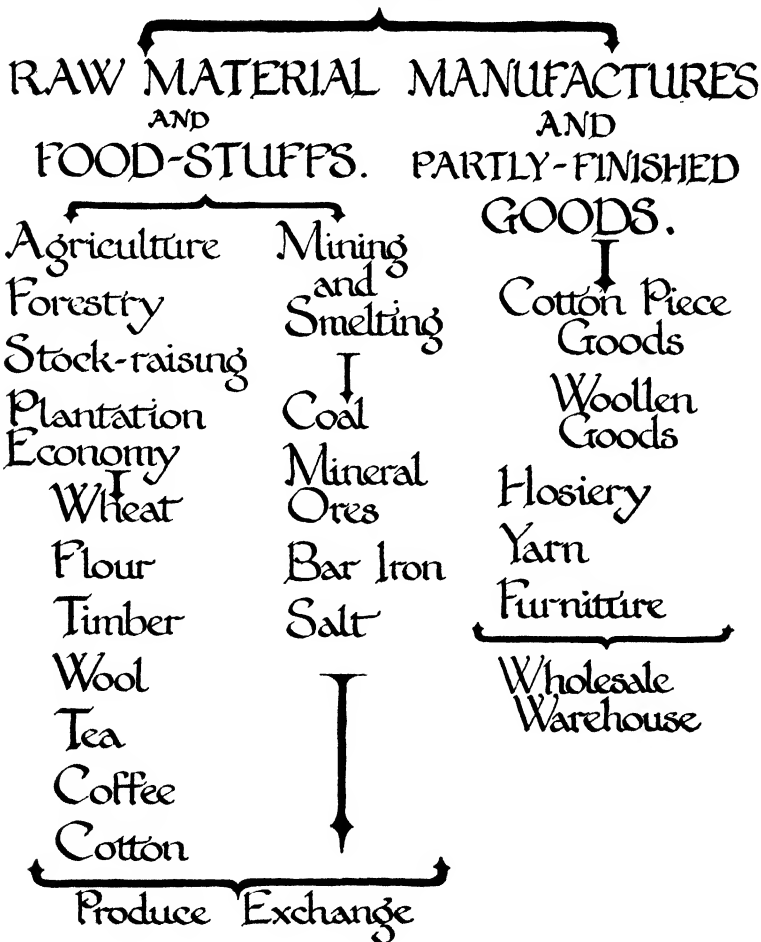
**1. Home Wholesale Trade.** The function of the home wholesale



## THE MAIN CHARACTERISTICS OF THE WHOLESALE AND RETAIL TRADE

Wholesale	Retail
<p>1. The purchase of goods in large quantities and their re-sale in smaller quantities. The wholesaler buys by the truck load, the ship load, the gross, the ton, and the cwt.</p>	<p>1. The purchase of goods in small quantities and their re-sale in small amounts or even in single articles. The goods are sold by the piece, the pair, the dozen, the pound, or the yard.</p>
<p>2. Wholesale trade is specialized trade ; that is, it is trade between professional traders and, owing to the business knowledge of the two contracting parties, it is generally carried on very smoothly.</p>	<p>2. The retail trade in general deals with inexperienced buyers, and the transactions do not always proceed smoothly.</p>
<p>3. There is frequent employment of agents or middlemen.</p>	<p>3. Middlemen are rarely employed.</p>
<p>4. The business must adapt itself to the means of transport so that the sale and delivery can be conveniently and cheaply effected.</p>	<p>4. The place of business must be chosen with pure regard to the selling facilities, preference being given to well-frequented thoroughfares.</p>
<p>5. There is no need to keep all the stock on the premises as the services of special warehousing companies may be utilized. Samples are used as a basis for the sale.</p>	<p>5. A relatively large and well-assorted stock is kept on the premises.</p>
<p>6. There is usually a large capital and a speedy turnover with relatively low expenses.</p>	<p>6. There is usually a small capital and higher expenses on account of the slower turnover. Departmental stores and Multiple shops—being conducted on a large scale—greatly resemble wholesale businesses.</p>
<p>7. There are continual fluctuations of prices due to the variations in the expenses of production.</p>	<p>7. There is greater stability of prices owing to the fact that small price variations do not manifest themselves in the retail trade.</p>

# KINDS OF WHOLESALE TRADE.



trade is to buy up produce in large quantities from the primary producers in the home market, and to sell it in smaller quantities to home consumers. The question frequently arises whether the wholesaler in his activity as a middleman in the home trade really performs any useful service in the economic system. The recent endeavours of many primary producers and retailers to eliminate this kind of middleman by entering into direct relations with each other seems to show that there is no absolute necessity for the wholesaler in the home trade. This may sometimes be the case, but not always.

2. **Import Trade.** The products of the import trade, in so far as they cannot be obtained at home in sufficient quantities or in the requisite qualities, are derived from abroad. To this extent it constitutes an indispensable link in the economic system. Where, however, goods are imported which could be produced in sufficient quantity in the home country but at a higher cost, then the import trade inflicts an injury upon the home producer. In order to protect the home producer against foreign competition, the State may impose an import duty—known as a protective duty—which may render importation more difficult or may even make it quite impossible. An example of such a duty is the Safeguarding of Industries Act, 1921, which was passed for the purpose of protecting certain British Industries.

3. **The Export Trade.** The export trade fulfils its function by buying up goods in the home market in order to sell them abroad in whatever country they are wanted. Hence, it renders valuable service to home production by undertaking the function of finding a market for these goods, and thus enabling the producer to confine himself to his own specialized activity.

There are many different kinds of exporters, from the agent to the export firm having its own network of branches abroad. The sphere of activity of these firms embraces all kinds of trade, and, in addition, the import business is sometimes included. In recent times, however, a greater amount of specialization has developed. Thus, one firm may devote itself to hardware and machinery, another to textiles, whilst another confines itself to coal, so that the combination of import and export in one business is no longer so common as it was a few generations ago. The legal form of constitution of the export business is usually that of an ordinary partnership. By

the side of this, however, we also find the joint stock company. Where export manufacturers maintain an export organization of their own, it is frequently carried on as a separate company, while the overseas branches are also frequently established as independent firms in the country of importation.

**The Entrepôt Trade.** The entrepôt trade mediates the exchange of goods between the producers and wholesalers of one foreign country, and the producers and dealers of another foreign country. On the one hand it is engaged in importation, and on the other exportation. It is essentially distinct from the form of intermediary trade carried on by the wholesaler engaged in the home trade, and its function as a creator of values is usually more apparent. Of all countries England has been the one which has devoted itself to this kind of trade. At the large seaports, hosts of intermediaries are engaged in collecting articles from many different parts of the globe, and then distributing them widely in other parts. The great development of this trade is ascribed chiefly to the central geographical position of Great Britain, to the one-sided nature of her industry which makes it dependent upon other countries for its foodstuffs and raw materials, and to the enormous export of bulky articles, such as coal, which helps to promote the import trade.

**TENDENCY TOWARDS ELIMINATION.** As shown on the diagram on page 150, every link which occupies a place in the distribution of goods has its own particular function to fulfil, and each must endeavour to fulfil this function to the best of its ability not only for its own advantage, but also for the benefit of the community. If it does not perform its duty it will find its existence threatened, since there is no longer any justification for its survival, and endeavours will be made to eliminate it. Every link adds its quota to the price of the goods to cover expenses, wages, and profit, and these charges must be justified by the advantages resulting from the services rendered. The tendency towards elimination is chiefly found in the intermediary trade. The collecting wholesale merchant endeavours to get into direct touch with the retailer or vice versa. Of course, this is more difficult in the foreign trade than it is in the home trade, where the conditions are simpler and more generally known. There are also endeavours to eliminate even the wholesale and the retail trade, and the wholesaler often tries to enter into direct relations with the ultimate consumer either by setting up his own

selling agencies or by sending travellers direct to the consumers. Retailers strive to eliminate the wholesaler by the formation of co-operative buying associations, which purchase on a large scale direct from the primary producer. A similar tendency is also followed by the departmental stores. On the other hand, it may be the manufacturer who desires to dispense with the services of the wholesaler by opening up direct relations with the retail trade, and more rarely with the actual consumer. Similar attempts are made by the co-operation of the consumers to eliminate the retail trade by setting up their own stores.

All these endeavours emanate from the idea of cutting out unnecessary profits of middlemen, and of diverting these profits to their own use or employing them for the purpose of cheapening the price of the goods to the consumers. It is not always the case, however, that, by the elimination of a certain link in trade, the expected advantages accrue, and that the saving in cost is appreciable. It is also necessary to consider the disadvantages of elimination. These consist chiefly of the fact that the undertaking which has been set up in the place of the eliminated one has to bear all the risks which were formerly borne by the eliminated link. The risks which before were divided between the two undertakings have now to be borne by the one. Thus, for instance, the collecting wholesale trade takes the risk of the quality and merchantability of the goods purchased; the exporter takes the risk of the proper shipment of the goods which increases with the growth in complexity of transport conditions, and to this has to be added the credit risk; the importer bears the risk of the timely arrival of the goods in good condition. The wholesale merchant in the home trade will have to undertake all these risks himself if he were to trade direct with the producer in the foreign country.

In addition to all these considerations, there would also be lost the experience, practical knowledge, capital, and organization of the eliminated member. In short, we have to examine in each individual case whether or not it is advisable to dispense with a particular link.

#### TEST PAPER X

1. What are the functions of the wholesaler from the point of view of (a) the retailer, and (b) the consumer?
2. Compare the main characteristics of the wholesale and retail trade. State shortly the main differences between home and foreign wholesale trade.

3. Trade has been classified as wholesale, retail, home, and foreign. How do these classes resemble and differ from one another? Define wholesale trade, and enumerate the various forms which it may assume. Critically examine the organization of one of the forms you mention. What advantages will be gained and lost by a man trading on his own account who decided to admit other persons as partners?

4. Do you think it desirable and possible to dispense with the services of the wholesale trader under modern trading conditions?

5. Most commodities pass through many hands before reaching the ultimate consumer, but attempts at a more direct trading are not always successful. Why is this?

6. What is a middleman? Does he perform any function of value to the community? If so, indicate what the function is and how the public welfare depends on its being undertaken.

7. Enumerate six different kinds of persons engaged as middlemen in the business world. Describe the respective functions performed by them and state whether, and in what way, you consider these middlemen a help or a hindrance to trade.

8. "It is easy to talk of doing away with the middleman, but when he is done away with he usually comes to life again in another form or under another name." Explain the meaning of this quotation and state whether you agree or disagree with it.

9. "The course taken by goods in their movement from producer to consumer is known as a *channel of distribution*." Enumerate the regular or usual channels of distribution in this country. What reasons would compel a producer to seek other and new channels?

10. Wholesale dealers generally buy their requirements in foreign and colonial produce from brokers or import merchants. Why do they adopt this course instead of purchasing direct from the exporting country?

11. How may it be determined whether a merchant is acting as a "dealer" or as a "commission agent"? In what respects will the merchant's position differ according to which of these two capacities he is acting in?

12. A commission agent with a trade of £10,000 was allowed a commission of 5 per cent. His expenses amounted to £100. What was his net income and what was the percentage of this income to the trade he did? Assuming his expenses and annual trade remain the same, what would have to be his rate of commission to enable him to secure a net income of £600 a year?

13. Suppose that the wholesale grocery business is threatened by the growth of the multiple shop system. It is proposed that the wholesalers establish their own retail stores where multiple shops have as yet had little growth, thus checking their growth. Discuss this proposal.

## CHAPTER XI

### PURCHASE OF GOODS IN THE HOME WHOLESALE TRADE

THE difficulties of business management increase with the widening of the aim and the extension of the sphere of operations. Although the method of conducting transactions in the wholesale trade corresponds in some respects to that of the retail trade, yet there are certain practices peculiar to the wholesale trade itself which require special consideration. In dealing with the supplies of the wholesale trade, the primary consideration is the question whether the supplies are secured directly or indirectly, although this consideration is not so important for the dealer in inland products as it is for the members of the retail trade. The wholesaler is faced with the problem of whether he should maintain relations direct with the supplier, or only through a middleman or agent.

**FIRST OR SECOND-HAND SUPPLIES.** When dealing with inland products the wholesale trader is generally in a position to buy first-hand. He is virtually the middleman between the producer and the retailer, and, as a matter of course, he will strive to get into direct touch with the primary producer, though he may not be able to prevent attempts at his own elimination. Nevertheless, he will have to strive all the more to exclude any profit other than his own between the primary producer and the retailer.

(a) **Purchase from Large Manufacturer.** Since the wholesaler deals with producers on a large scale, it is not difficult for him to effect his purchases at first hand. He may buy the whole crop of agricultural produce from a large estate owner before the crop has been harvested; this he does by entering into a contract for future delivery. In like manner he may buy up the by-products of the primary producer. The manufacturer usually finds it advantageous to confine his dealings to a few well-capitalized wholesalers who can take over the credit risk and the expenses of distribution. The wholesaler frequently buys up the entire output of a manufacturer for a certain period. Since the latter receives payment in cash he can continue his production without hindrance, whilst the wholesaler might even support him financially, and when buying may offer suggestions in regard to the manufacture of certain articles. On

the other hand, it sometimes happens that the wholesaler may not possess sufficient capital, and may merely act as commission agent. Nevertheless, the manufacturer will welcome his co-operation since the commission agent at least places his experience and his selling organization at his disposal, and also undertakes the collection of the outstanding debts. Hence, the manufacturer is able to devote the whole of his time and energy to the process of manufacture. In this latter case the wholesaler, of course, derives only a limited remuneration in the form of his commission.

(b) **Purchase from Small Producers.** Purchase at first hand presents greater difficulties when the wholesaler has to deal with a number of small producers, as for instance, with a number of small farmers whose undertakings are spread over a wide area, or with a number of small craftsmen who are working in their own homes. In such a case the wholesaler must employ travelling buyers to visit the producers, and to collect from them the goods when ready. This business of collection, however, he may leave to independent traders who have wedged themselves in between the producer and the wholesaler. The producers often endeavour to eliminate this latter type of middleman by the establishment of co-operative selling agencies, which take over the produce ready for sale and pass it on to the wholesaler. Sometimes these agencies aim at the elimination of all intermediary traders by entering into direct relationship with the consumers. These co-operative selling agencies are found chiefly in agricultural districts where they are engaged in the marketing of milk, grain, and fruit.

**THE PROCURING OF FOREIGN SUPPLIES.** The question of procuring supplies direct from the foreign producer seldom presents itself to the wholesale dealer in the home trade. To the latter the first-hand source of supply is represented by the overseas exporter, and the second-hand is represented by the importer in his own country. Export and import concerns are those commercial undertakings which devote themselves exclusively to dealings in foreign produce.

(a) **Direct Buying by the Wholesaler.** If the wholesaler desires to buy direct from the primary producer in the foreign country, he would have to make himself acquainted with the conditions of production of the country in question, and also with its language and commercial usages; he might even be compelled to establish his own buying branch abroad, or at least to have a buying or commission



agent there. Even then, it is doubtful whether he could approach the producer directly, or whether he could only deal with the foreign wholesalers. He would also have to bear the risks connected with foreign trade and with the transport of the goods. In exceptional cases purchases of this description may arise, but they are certainly not the rule. The usual method is to buy either from a foreign exporter, or from an importer in the home country.

(b) **Difficulties of Direct Buying.** Whether an inland wholesaler can approach an overseas exporter direct depends primarily upon his ability to find firms in the exporting country who are willing to enter into business relations with him. This will depend chiefly on the magnitude of his requirements, and whether they come up to the minimum quantity which it would be worth their while to ship; frequently, the requirements of an individual wholesaler are too small for this purpose. Moreover, his financial standing would be an important factor, as the foreign supplier would expect to receive cash against the goods, or may even insist on payment in advance. It would also depend upon whether the exporter was in a position to deliver the goods in the precise form in which they were requested by the wholesaler. When the latter has actually found such an exporter who can carry out his wishes, he has still to run the risk of the due arrival of the goods. It is true an insurance company may insure their value, but that will be of little value to him if the goods are lost, for he cannot serve his customers with that, and they would be driven to find another supplier. The procuring of direct supplies from overseas is also difficult in cases of great urgency. Generally speaking, overseas exporters endeavour to eliminate the importer by maintaining in Great Britain selling agents who enter into direct relations with the inland wholesalers, and sometimes even maintain stock at British ports.

(c) **The Importer as the Source of Supply.** Thus we can see that the importer acts as the chief source of supply for the inland wholesaler. In this case, the wholesaler can usually satisfy his requirements, even if they are urgent, and he can also obtain the goods made up in the way he desires. Likewise, the terms of payment may not be so rigorous, and he may even be granted a long term of credit. The importer bears the whole risk of the arrival of the goods. He is in a position to offer to the wholesaler a much wider selection and a larger range of qualities, for he derives his supply from a

number of exporting firms. In such a case the wholesaler can place greater reliance upon the goods he has to buy.

**THE FORMS OF PURCHASE.** The forms in which the purchases of the wholesaler are carried out deviate in many respects from those customary in the retail trade. Although the wholesaler frequently makes out a written order based upon a previous quotation, this is not always sufficient, and is a method rarely adopted in his intercourse with oversea countries. Instead of the quotation, we find the public market and exchange reports which provide the first impetus to the purchase. Verbal orders given to manufacturers, agents, and travellers are confined chiefly to the home trade. As a rule, telegraphic orders take the place of orders by letter. Instead of giving orders to the travellers or agents of the producers, the wholesale merchant frequently pays a personal visit to the sources of supply, or visits special markets in order to buy the goods. Where it is not worth while making such special journeys on account of the expense, the wholesaler has recourse to agents or commission agents who buy the goods on his behalf in places abroad. These middlemen are either local agents, representatives, brokers, or commission houses. Amongst these, the broker is the recognized mediator of purchases at the exchanges.

Whilst several days are generally allowed to the retailer in which to inspect offers or quotations submitted to him, the wholesaler must decide much more quickly if he is desirous of exploiting a favourable state of the market. Practically the only means of giving speedy effect to his decision is the telegraph.

An order by letter to an overseas country would take far too long to reach its destination, and foreign telegrams are usually much more expensive than inland telegrams—although such expense is of little significance when an order running into thousands of pounds is involved.

In consequence of the higher cost of a telegram as compared with a letter or post card, a merchant is compelled to express himself as briefly as possible without affecting the clearness of his message. This practice of expressing himself briefly, yet clearly, has exercised an educational effect upon the merchant, for it has induced him to adopt a succinct style of writing.

The desire for brevity in the telegram has also given rise to the employment of abbreviations by means of which expense is greatly

reduced. Instead of having to write out the full name and address of the addressee, it is possible to register a single word as the telegraphic address. In like manner the contents of the telegram may be expressed in a few words. In view of the fact that many sentences are used over and over again, a list of phrases usual in business has been compiled and corresponding words have been substituted for them. This has led to the introduction of the official telegraphic code. In addition to these official codes, some firms have a private code of their own.

**CO-OPERATIVE PURCHASE OF GOODS.** In connection with the large-scale purchase of goods such as is found in the wholesale trade, we may consider briefly a tendency in certain directions to take over this function from the middleman. This is achieved by the formation of certain groups of consumers, notably in agriculture, into associations for the co-operative purchase of their requirements. By combining their demand for goods into one bulk order, they can obtain price concessions from manufacturers or other producers, a reduction in the costs of transport, and can exercise a considerable control over the question of quality, in short, they are enabled to gain access to all the economies which are usually associated with large-scale dealing.

A recent survey of these societies in connection with agriculture<sup>1</sup> states that organization occurs in three different ways, namely—

1. A society may deal on a truckload basis, and, without handling goods itself, arrange delivery to a member's railway station direct from the source of supply.
2. Another may undertake storage, and depend for distribution of goods on collection by members from its store.
3. Another may itself arrange delivery by road direct to members' premises.

It should be clearly understood, however, that this classification is by no means rigid, and can only be taken to indicate general tendencies. In many cases no clear line of demarcation can be drawn, and societies occupy a position which is intermediate between two of the above classes.

(a) **Truckload Societies.** These represent organizations of the simplest possible type, and merely serve as pooling media for their

<sup>1</sup> Ministry of Agriculture and Fisheries. Economic Series No. 5. *The Co-operative Purchase of Agricultural Requisites.*

members' orders. Indeed, frequently, business is conducted merely on the basis of a mutual understanding which exists between the members, who are not registered as a society at all, though such groups usually ultimately become incorporated. One of the group will undertake to act as secretary and conduct the business. He ascertains from each member of the group his exact requirements for any particular commodity, and then proceeds to obtain quotations for the bulk order. He places the order with the most suitable supplier, and arranges that the consignments shall be sent in truckloads to specified stations. He then advises members when to arrange to collect. This method can, of course, apply to only a small society, and in the case of a large society the secretary is obliged to estimate the probable requirements of the members and then buy in advance. Then, as the members make known to him their requirements, he orders the supplier to make delivery where required. If he finds that his forecast was too low and that his initial order will be insufficient to meet demands, he can cover himself by placing another order. If, on the other hand, he has ordered in excess, he must dispose of the surplus as best he can. It will be seen, therefore, that the secretary must undertake very similar risks to those borne by the ordinary merchant. The capital requirements of such societies are small since they maintain no business premises nor stocks of goods, and mainly depend upon the credit arrangements made with the members. The factor of management varies in importance with the size of the society. The duties of managers of smaller societies are mainly secretarial, but those of the larger call for extensive knowledge of markets, and a high degree of skill in careful buying and the avoidance of risky business.

(b) **Storage Societies.** This type of society represents an advance in complexity over that just described. To the services rendered by truckload societies are added facilities for dealing with very small retail orders, the ability to carry sufficient stocks of standard requirements to meet sudden and unexpected demands, and the opportunity of making favourable purchases, irrespective of immediate demand. The factor of management of such societies increases in importance with the complexity of the organization and the magnitude of the trade done. In the majority of cases, simplicity of organization is an outstanding characteristic, many societies having no paid staff, save possibly a secretary who may receive a small gratuity provided

that the society makes a profit. Although the capital requirements of the smaller societies are little greater than those of the truckload type, there is considerable scope for the employment of capital as societies develop.

(c) **Delivery Societies.** Here we find a still greater degree of complexity for, to the functions already enumerated, societies of this class add that of delivery of goods to purchasers. In the case of smaller societies delivery is made through local carriers, but in the case of large organizations delivery is effected by their own service. Yet even in the case of the latter, hired transport is employed as a supplementary convenience. The buying is usually conducted on a relatively large scale, and is based on future delivery which, according to the report on the *Co-operative Purchase of Agricultural Requisites*, may assume four different forms, namely—

(a) Buying, backed by membership contracts.

(b) Buying, not under contract with members, but on the basis of a close estimate of their requirements for a few months or a season.

(c) Semi-speculative buying which arises when a society in order to obtain substantial price rebates buys a larger quantity of a commodity than it normally requires, and relies on being able to dispose of any surplus promptly.

(d) Speculative forward buying, which means buying for a contemplated rise, and buying larger quantities than the members require, the aim being to resell at a profit when the rise takes place.

#### TEST PAPER XI

1. From what sources does a wholesaler draw his supplies of goods?  
2. Mention the principal differences between wholesale and retail trading with regard to the purchase of goods.

3. A merchant wishes to place an order for a class of goods he has not previously bought. What steps would he be likely to take before placing the order, and what steps will the supplier be likely to take before supplying the goods?

4. Wholesale dealers generally buy their requirements in foreign and colonial produce from brokers or import merchants. Why do they adopt this course instead of purchasing direct from the exporting country?

5. What are the qualities essential in a good buyer in the wholesale trade? Describe the activities of a buyer in connection with some wholesale business and explain the factors affecting his decisions in buying.

6. State as clearly as you can how the buying of the ultimate consumer differs from the buying of dealers in commodities.

7. State the methods and machinery for the purchase of any commodity that you are acquainted with, carefully noting the nature and use of the chief documents in connection therewith.

## CHAPTER XII

### SALE OF GOODS IN THE HOME WHOLESALE TRADE

JUST as there is a movement on the part of the consumer to purchase his goods at first hand whenever possible in order to secure the most advantageous terms, so there is always a tendency from the side of the supplier to establish contact with the ultimate consumer in order to eliminate all the intermediate links. The motive for this movement may not, however, be rooted in the idea of making the goods cheaper for the consumer, but may have as its object the diversion of all or a large share of the profit formerly made by the middlemen to the pocket of the supplier who seeks to eliminate them. On the whole it may be said that the impulse towards elimination is, perhaps, not so strong from the selling side as it is from the buying. In the first place, the idea of eliminating any intermediate links does not arise in the retail trade, since this is only concerned with the sale of goods to the ultimate consumer. In like manner, the tendency is little manifest in that portion of the wholesale trade which serves directly the retail trade. If the latter branch of the wholesale trade were to attempt to serve the ultimate consumer direct, it would simply cease to be wholesale trade, and would probably lose many of the advantages which it formerly enjoyed by virtue of this fact. It is not, of course, a rare phenomenon to find one and the same trading concern carrying on a retail as well as a wholesale trade, but in such cases it is not with a view of eliminating the retail trader. Such a business carrying on both forms of trade is thus, on the one hand, consciously the competitor of similar retail businesses of equal standing, while on the other, it acts as supplier to firms in the retail trade. Such a concern may, however, easily find itself caught between two fires. It may incur the enmity of the retail trade upon which one portion of its business depends, whilst in the eyes of certain of its suppliers it may lose the status of a wholesale house together with the benefits which it derived therefrom in the form of price concessions and trade discounts.

**HOME WHOLESALE TRADE.** In the home wholesale trade the tendency is generally established of dealing direct with the retailer

without the intervention of any further middlemen, in the same way as the wholesale trade buys direct from the primary producer without the assistance of the middleman whenever this is possible. The wholesale trade, itself threatened by elimination, has the greatest interest in the avoidance of any further middlemen, who set up a chain in the course of distribution which can do nothing other than increase prices. As an illustration of the attacks to which the wholesale trade is exposed we may cite the combinations of retailers or consumers into co-operative buying societies, the nature of which we have already examined, having as their object the elimination of the wholesale trader. Again, wholesale concerns which supply manufacturers with raw or semi-raw materials are always in danger of elimination, since the manufacturer will go beyond them to the producer when the magnitude of his requirements render it expedient for him to do so. Nevertheless, though he may be eliminated in some branches, he may still retain a valuable trade by adapting himself to circumstances. Even a large manufacturing concern will not wish to approach the primary producer for everything. In some cases time would not permit this course, whilst in others it is scarcely worth while. Hence, by concentrating upon this aspect of convenience, the wholesaler may still create a demand for his services.

As the wholesaler is faced on the one side by co-operative organizations of purchasers, so on the other he has to contend with similar combinations of sellers. Thus, in agriculture the grower may feel that his locality has too many middlemen agencies rendering services who collectively cannot attract a sufficient volume of business to make economical operation possible. He may feel that profits are much more easily made on the side of marketing and distribution than on that of production, and, in consequence, a co-operative selling society comes into existence having a hostile attitude towards other marketing agencies.

**FOREIGN WHOLESALE TRADE.** When we come to the foreign trade matters are different for the wholesale trader, both in regard to the sale of inland products to foreign countries, and in the procuring of foreign products for sale in the home country. Foreign trade is *par excellence* the sphere of the intermediary trader. Exporters as well as importers prefer to employ wholesalers for the purchase or sale of goods, and these in their turn pass on the goods to the retailer.

The exporter of home products nowadays enters into direct communication with an overseas importer whose function is to pass on the imported goods to the wholesale trade of his own country, or else he may enter into direct communication with the wholesale trade of the foreign country. In this case, however, he incurs a greater credit risk, and must also be well informed about the conditions prevailing in foreign markets for his goods. If he should attempt to pass over this foreign wholesale trade and sell direct to the retail trade in the foreign country, he would not be able to do this without opening a branch or engaging an agent in the port of arrival in the foreign country, for this form of export postulates special knowledge of the customs, usages, and requirements of the foreign country.

The earliest form of export trade to foreign countries was that in which the exporter entered as the sole link between the inland producer and the foreign consumer. This method of trade was cultivated especially by the early chartered companies. These traders established their own factories or retail selling stations in overseas countries, or they sold their goods through agents who travelled from one firm to another. The fact that these methods of sale are no longer cultivated to-day is probably the best proof that the insertion of intermediary links has proved advantageous.

The importer of foreign products in so far as he carries on a pure import business, i.e. where the import of foreign goods is the principal object of his business, will procure the goods from abroad in order to offer them to consumers who are unable to obtain them directly from the country of supply. In effecting the sale of the goods he will enter into relations with the wholesalers in the place of importation, or will avail himself of the services of brokers or of the produce exchange. Here the importer may, under certain circumstances, meet with difficulties in the sale as far as his relations with the wholesalers are concerned, for the overseas exporter may be represented by agents in the importing country, and these agents may entertain direct relations with the wholesalers, thus leading to the elimination of the importer. Against this procedure the wholesaler can only defend himself by trying to sell direct to the inland retailers. The co-operative retail societies help him greatly in this endeavour. The importer can only grant short terms of credit, however, and must insist upon cash, whereas the retailer requires a



longer credit and, in such cases, the co-operative consumers' society is very useful. In such a case the sale to the retailer is not so much the voluntary desire of the importer, but rather a necessity into which he has been forced. Where the inland wholesaler is himself the importer he is so in a wider sense, i.e. he confines himself to the class of goods which belong to his trade, and tries to find a sale amongst the retailers of the home country; he may also have shops himself, as for instance, in the tea trade.

**Direct or Indirect Trading with the Customer.** When the wholesaler has decided to which class of customer he should make his appeal in the disposal of his goods, he will have to consider the means by which he can induce them to give an order. He may choose the form of direct intercourse with the customers, or he may approach them indirectly by means of middlemen. In direct intercourse he can avail himself of newspaper advertisements, correspondence accompanied by samples, and the sending out of travellers. In addition, visits to markets and fairs may be undertaken.

*Newspaper Advertisements.* In the wholesale trade, advertisements in papers are of less effect than in the case of the retail trade; for in the former case only a limited circle of buyers enter into consideration, and it is less likely, therefore, that the selected newspaper should get into their hands. The expenses of this sort of advertisement are a risky investment. On the other hand, advertisements in trade papers which exist in almost every branch of business are more advisable.

*Correspondence as a Form of Propaganda.* Apart from this impersonal propaganda, we find the more effective means of approaching the prospective customer is by means of correspondence. For this purpose, however, the wholesaler must first procure the necessary addresses, for the progressive trader must not confine his propaganda to his existing circle of customers. If he does not wish to burden himself with the tedious work of wading through the various directories, he can procure addresses from various institutions, which devote themselves to the collection of such addresses which will be classified into branches of business or into market areas. Likewise, export periodicals publish lists of addresses for certain groups of goods. He will also send out price lists, catalogues, leaflets, and circulars recommending his goods to prospective customers, and to such customers as have not submitted any orders for some time

past. Such reminders dispatched at regular intervals of from four to six weeks may be very useful in supporting the visits of travellers. In this way the business keeps in constant touch with its customers. Circulars must be prepared in the form of a personal letter. The extra expense for postage must not be grudged, and the method of duplicating must be employed which has the resemblance of an individual letter.

**Influence of the Warehousing Period.** The aim of the trader must be to shorten the period of warehousing to the greatest possible extent. The duration of the warehousing is synonymous with the period of the turnover, which plays an important role in the success of the business. The calculation of the warehousing period of the various goods or of the total stock is of importance in that it is the basis for suggestions which might lead to further increase of business. If the duration of the warehousing appears to be too long, the causes must be ascertained, the methods of buying and selling must be examined, and other methods of speeding up the turnover must be adopted. Where it is possible to ascertain the duration of the warehousing period for individual articles, dead stock and slow-moving lines may be detected, and special arrangements made with regard to its disposal.

A carefully-kept stock-book facilitates the calculation of the warehousing period of different classes of goods. Such a calculation is possible in the retail trade only in those cases in which the goods leave the shop without changing their form, i.e. goods which need not be retaxed, altered in any way, or split up into smaller quantities. On the price tickets which are affixed to the goods, a note should be made of the time when they arrived and also of the date of dispatch. Otherwise it is only possible to ascertain the warehousing period of the whole stock in the following manner. To the stock at the beginning of the year is added the amount of purchases during the year, and from this is deducted the value of the stock at the end of the year. The result is divided by the average value of the stock, i.e. the total of the initial and final stocks divided by 2. Supposing the value of the stock at the beginning of the year is £1,000, and during the year the trader has bought £5,000 worth of goods, and supposing the value of the stock at the end of the period is £1,500, then the turnover equals

$$(\text{£}1,000 + \text{£}5,000) \div \text{£}1,500 = \text{£}4,500.$$

If he divides this result by the average value of the stock, i.e.  $\frac{£1,000 + £1,500}{2} = £1,250$ , we have the figure  $\frac{4,500}{1,250} = 3.6$ , which

shows how often the average stock has been turned over in the course of the year. If we divide this figure into 365, we find that the duration of the warehousing of the average stock is about 102 days. The following example illustrates in detail the calculation of turnover—

#### EXAMPLE.

The following particulars have been extracted from the annual accounts of A Trader—

	Dr.	Cr.
	£	£
1. Stock in hand at the beginning of the year .	850	
2. Stock in hand at the end of the year .		890
3. Purchases . . . . .	3,240	
4. Buying Expenses . . . . .	245	
5. Discounts Received . . . . .	£35	
6. Returns Outwards . . . . .	28	
	—	
7. Sales . . . . .		63
8. Selling Expenses . . . . .	50	4,050
9. Discounts Allowed . . . . .	20	
10. Returns Inwards . . . . .	7	
	—	
	27	
	—	—
	4,412	5,003
11. Gross Profit . . . . .	591	
	—	—
TOTAL . . . . .	£5,003	£5,003

The average sum of debtors' and creditors' balances (i.e. the average of the monthly balances) was £500 and £290 respectively, whilst the total of the overhead charges amounted to £300.

From these particulars we arrive at the following results—

#### 1. Ascertainment of the net buying price—

Total Purchases . . . . .	£3,240	
Less Goods Returned and Discounts Received . . . . .	63	
Net amount due to Creditors . . . . .	—	£3,177
Add Buying Expenses (Carriage Inwards)		245
Net Purchasing Price of the Goods.	=	<u>£3,422</u>

2. *Ascertainment of the net selling price—*

Total of the Outgoing Invoices	£4,050	
Less Returns and Discounts	27	
	<hr/>	
Total of Debits to Customers	4,023	
Less Selling Expenses (Carriage)	50	
Net Selling Price	<hr/>	= £3,973

3. *Ascertainment of the cost price of the goods sold—*

Stock in Hand at the beginning	£850	
Purchases during the year	3,422	
	<hr/>	
Total of Goods Received	4,272	
Less Stock at end	890	
Cost Price of the Goods Sold	<hr/>	= £3,382
<i>Proof :</i>		
Cost Price of Goods Sold, as above	3,382	
Profit	591	
Ascertained Selling Price	<hr/>	= £3,973

4. *Ascertainment of Profit as a percentage of cost price—*

Cost Price	Cost Price	Profit	Profit
3,382	100	591	X
$= \frac{100 \times 591}{3382} = 17.5\%$			

5. *Ascertainment of the relation of the overhead expenses to the purchase and selling prices—*

The relation of the overhead expenses of £300 to the purchase price of £3,382.

Cost Price	Cost Price	Overhead Expenses	Overhead Expenses
3,382	100	300	X
$= \frac{100 \times 300}{3382} = 9\%$			

The relation of the overhead expenses of £300 to the selling price of £3,973.

Selling Price	Selling Price	Overhead Expenses	Overhead Expenses
3,973	100	300	X
$= \frac{100 \times 300}{3973} = 7.4\%$			

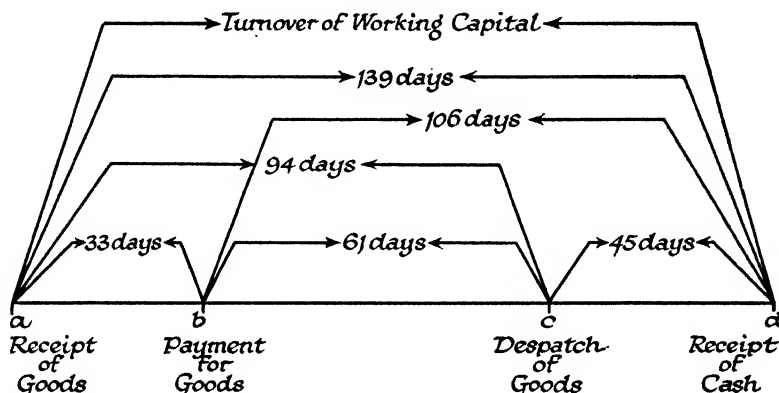
6. *Ascertainment of results from the cost price—*

Cost of the Goods Sold	£3,382	= 100 %
Overhead Expenses	300	= 9 %
Net Profit (£591 - £300)	291	= 8.5 %
	<hr/>	
Total Selling Price	£3,973	= 117.5 %

It will also be seen from the diagram that the warehousing period is  $a - c$  . . . . . = 94 days

The borrowed capital is  $a - b$  . . . = 33 days  
 The owner's capital is  $b - c$  . . . = 61 days  
 Hence turnover of goods takes place in . . . 94 days  
 The period of turnover of the owner's capital is  $b - d = 106$  days  
 (a) In the form of goods it is  $b - c$  . . . = 61 days  
 (b) As credit granted to debtors it is  $c - d = 45$  days  
 Hence the owner's capital is turned over in . . . 106 days

### PERIOD OF TURNOVER IN THE WHOLESALE TRADE



#### 12. Ascertainment of the amount of capital required by the trader—

According to the above diagram the trader's capital consists of

(1)  $a-c$  in goods (i.e. average value of the stock) . . . . . = £870

(2)  $c-d$  in debtors, being the average balances . . . . . = £500

Less 7.4% Profit (approx.) . . . = 36

Thus the capital lying with the debtors averages . . . . . = 464

Hence, total working capital . . . . . = 1,334

(3) Less the borrowed capital  $a-b$  . . . . . = 290

The capital required by the trader . . . . . = £1,044

As the turnover of the trader's own capital occupies a period of 106 days, an amount must be added to the price of the goods for the loss of interest. Calculated at 6% per annum, this will amount to—

Days	:	Days	:	Interest	:	Interest
365	:	106	:	6	:	X
= $\frac{6 \times 106}{365} = 1.77\%$						

13. *Construction of the average Balance Sheet—*

LIABILITIES		ASSETS	
	£		£
Borrowed Capital (i.e. Sundry Creditors) . . . . .	290	Stock (including Buying Expenses) . . . . .	870
Trader's Own Capital . . . . .	1044	Sundry Debtors (Cost Price) . . . . .	420.5
Profit . . . . .	36.3	Overhead Expenses . . . . .	37
		Selling Expenses . . . . .	6.2
		Profit . . . . .	36.3
	<u>£1,370</u>		<u>£1,370</u>

The profit of 36.3 is based on a credit period of 45 days and is thus repeated eight times during the year: with an increase in the speed of the turnover the tendency is for a corresponding diminution in the magnitude of the trader's own capital.

The shortening of the warehousing period means a speeding-up in the turnover of the goods, so that, in consequence, the capital which the trader employs in his business performs a greater amount of work. Hence, assuming that the business policy of the trader is sound, his profit will be proportionately greater. An amount of capital yielding a profit when the stock turnover is once per annum, will yield double this profit if the turnover be increased to two. In other words, the business man who turns over his stock with twice the speed of his competitor only needs half the amount of capital in order to do the same volume of business. In addition to this, however, there is a saving in the warehousing expenses if these expenses are calculated as a percentage of the stock. As a rule, the warehousing expenses do not increase in the ratio in which the stock is increased. The rate of general warehousing expenses, the rent, the depreciation of buildings, lighting, heating, and other maintenance charges are entirely independent of the quantity of goods which pass through the warehouse in the course of a year. Of course, it is probable that the cost of warehousing labour may increase. Since a larger quantity of goods leave the warehouse daily with a more rapid turnover, it is possible that instead of, say, two workers, three may be required. The effect of an excessive period of warehousing upon articles of fashion is particularly unfavourable, for they may become practically worthless unless they are sold at the right time. As a rule, however, the trader will safeguard himself against such losses by charging correspondingly higher prices. On the other hand, there are some articles whose value increases with the length of the

warehousing period, such as wines, spirits, and antiques. The foregoing considerations are applicable to goods not only in the trader's own warehouse, but also to those stored in professionally conducted warehouses.

**GOODS STORED IN THE TRADER'S OWN WAREHOUSE.** Economic interest compels the trader to shorten the warehousing period to the greatest possible extent in order that his capital may be kept from lying idle in the form of stock. In contrast to this, however, a certain commercial function has to be performed in the interest of the community, viz. the maintenance of a state of equilibrium between the demand for and supply of a variety of goods. This the trader can only effect by taking over the goods from the grower after production, and warehouse them until they are required by the consumer. It is impossible for the consumer to procure his requirements of foodstuffs immediately after the crop has been harvested, i.e. to cover his requirements until the next harvest. This warehousing he leaves to the trader who is, therefore, compelled to keep a certain minimum of stock. This form of warehousing is the special function of the wholesale trade; for the wholesaler must keep in stock sufficient quantities to be able to supply the retailer in the case of demand.

The wholesale trader is compelled to maintain a much larger stock than the retailer. Sometimes he can avoid this difficulty, especially in the case of inland products, by having goods sent direct from the producer to the customer. In such a case he has to take precautionary measures to avoid being eliminated. As an intermediary trader he prefers to keep the goods, not in his own warehouse, but to have them stored away elsewhere. The wholesaler, however, who sells direct to the retail trade, and whose place of business is favourably situated in the midst of his customers, keeps a larger stock in his warehouse than others.

**GOODS STORED IN AN OUTSIDE WAREHOUSE.** If a trader has no warehouse of his own he must store his goods with a person who undertakes such storage or professional warehousing, i.e. in a public or private warehouse. In smaller places this warehousing is frequently carried on as a side-line by carriers and forwarding agents. In large ports and in important inland centres, however, warehousing is carried on as an independent business.

The retailer avails himself much less of outside warehouses than



does the wholesaler, for in most cases the latter attends to the warehousing for the retailer. In the wholesale trade it is those traders who carry on an intermediary trade who avail themselves of the convenience of a public warehouse. The advantages of these institutions are manifold. Even where the trader has sufficient capital to maintain his own warehouse it would be disproportionately expensive, for probably he would not be able to utilize the whole accommodation all the year round. This remark applies chiefly to those goods in which the main business is done at certain periods of the year. The outside warehouses are always at the disposal of the merchant on payment of a certain warehouse rent, and the expenses only accrue for the time he uses the warehouse. There are no losses of interest and other expenses during the period when the warehouse is not in use. It may also be assumed that the goods in the large public warehouses which are fitted up with all the appliances of modern technique are better stored than they would be in one's own warehouse.

Of especial advantage to the wholesaler are those warehouses which are situated away from his own locality in the large ports or commercial centres, and which afford him the possibility of storing the goods at the port of embarkation and redirecting them only after sale. The goods are transferred to the warehouse direct from the vessel or train, and remain there until instructions are given for them to be reforwarded. With the aid of the warehouse warrant, it is possible to transfer or pledge the goods without removal. If the goods are not immediately saleable, owing to low prices, he will resort to their pledging or hypothecation.

**PROCEDURE IN THE WAREHOUSING OF THE GOODS.** Goods handed over to a public warehouseman must be examined in the interest of the owner in the same way as if they were delivered direct to the warehouse of the buyer. It is also important to ascertain precisely the quantity and the quality of the goods which are deposited with the warehouseman. As a rule, the person who deposits goods in a warehouse receives from the warehouseman a warrant which serves as a proof of the receipt of the goods, and which is equivalent to the possession of the goods. In this warrant the warehouseman undertakes to hand over the goods in return for the warrant. This document is either drawn in the name of the depositor or to his order. The warrant drawn to the order of a

particular person entitles the person named to demand the goods unless he passes his title on to a third party. The warrant drawn to order is transferable by endorsement. Warrants drawn to order are usually issued by such warehouses as have received the sanction of the Government, i.e. Bonded Warehouses. The easy way in which such warrants can be transferred and dealt in make them particularly suitable for the transfer, pledge, or sale of warehouse goods. The security is based mainly upon the fact that the buyer of the goods may support his claims against the warehouseman solely upon the basis of the warrant. The trader will probably welcome the chance of pledging the goods and of selling them at the same time. Suppose a wholesaler buys goods from an importer on the understanding that he pays cash for them. He can obtain the money from a bank by pledging the warehouse warrant. If now during the warehousing period he looks for a customer, he has no documentary proof of the possession of the goods, nor any document on the basis of which he can offer the goods and transfer ownership after the conclusion of the contract. He has to send his customer to the bank to inspect the warrant there. This is an impossible procedure unless the transaction takes place locally.

Where the wholesaler desires to take delivery of the goods, he must first redeem the warrant by paying the money advanced on it. The goods are then handed over to him in return for the voucher.

## TEST PAPER XII

1. What methods does a wholesaler employ to secure and maintain a market for the sale of his goods? Mention the principal differences between wholesale and retail trading in regard to the obtaining of orders and the sale of goods.

2. Explain, with illustrative figures, the importance to a wholesaler of reducing the average period elapsing between the purchase and sale of goods.

3. State the methods and machinery for the sale of any commodity that you are acquainted with, carefully noting the nature and use of the chief documents in connection therewith.

4. Mention the principal differences between wholesale and retail trading with regard to the sale of goods.

5. What is meant by turnover? What relation does it bear to the capital and expenses of a wholesale business?

6. Having received from Messrs. Brown, Jones & Co., of 219 Harrow Road, W.2., an order for 4 dozen 1 lb. boxes of Excelsior chocolates at 3s. 6d. per lb., wire a reply, informing them that you are out of stock of this particular brand, and will not be receiving further supplies for

a month or possibly more, but that in the meanwhile you can supply them with Elite chocolates at 3s. per lb.

7. Brown & Potter, of Jarrow, have sent you an order for goods valued at £45, and have given the name of Messrs. Williams & Company, of Middlesbrough, as a reference. Write to the latter firm with reference to this matter. Supposing the reply received is not quite satisfactory, what steps would you take?

8. The account of Messrs. Robbins & Son with you has now reached the "limit," viz. £400. (a) Write to them pressing for payment and pointing out to them that before allowing further credit you expect a substantial remittance or security to cover the amount. (b) Set out the various forms of security you would be prepared to accept.

9. In a recent period of trade depression the Ford Motor Company restored its profits by a 30 per cent reduction in its selling prices. How do you account for the success of this policy?

## CHAPTER XIII

### THE WHOLESALE WAREHOUSE

IN considering the structure of the economic system, it is almost impossible to draw any clear line of demarcation between one branch of trade and another. Every successful business adapts itself to its economic environment, and grows in accordance with the ideas of those who direct its activities and shape its policy. Hence, we find manufacturing undertakings extending their activities into the sphere of distribution, and purely distributive undertakings commencing manufacturing activities. We find enterprises engaged in both wholesale and retail trade at one and the same time, as well as wholesale distributive houses of every conceivable magnitude and complexity. In the light of these considerations, any attempt at an exact and practical definition of a wholesaler would be futile, and we can only say in general terms that a wholesaler is a dealer who buys in large quantities and sells generally in smaller quantities to other dealers. Broadly speaking, as indicated above, we may classify wholesalers under the following heads—

(a) **Manufacturing Wholesaler.** In some cases, manufacturing businesses under the guidance of an energetic management, have considered it worth their while to undertake the functions of distribution. When manufacturing and wholesaling are combined in this way, certain economies may be secured, though the magnitude of these must necessarily vary with the nature of the business and the manner in which it is conducted. A large manufacturer can often sell his goods direct to the retailer, while a small manufacturer may be unable to do so without incurring heavy selling expenses.

(b) **Combined Wholesale and Retail Business.** There are quite a large number of concerns which do a combined retail and wholesale trade. These have, in many cases, developed from purely retail types when the latter have desired to gain access to economies of buying. When combined trading of this type is undertaken, whatever the initial organization may be, the outcome is usually the segregation of the two branches of the business under a separate management.

(c) **General Wholesale Business.** The general wholesaler is one who

stocks a complete line of merchandise, and is most commonly found in the grocery trade. The dealer who handles a wide range of goods in this way is confronted with special difficulties in organization and, further, cannot hope to put the same selling power behind every article on his list. This may lead to friction with his suppliers who may consider that their goods are being unfairly treated. This is especially the case where competing lines are stocked.

(d) **Specialized Wholesale Business.** In undertakings of this type a few articles only are handled or, at most, a limited group of articles. Such specialization may occur in the fruit trade, in dealings with agricultural produce, grain, and similar articles. When the dealer confines his attention to commodities of one class in this way, his specialized knowledge enables him to give better service to his customers.

**FUNCTIONS OF THE WHOLESALEMAN.** The chief functions of the wholesale warehouseman are those of studying the wants of consumers and the resources of manufacturers. The ultimate consumer is usually reached through the retailer. The manufacturer is too closely occupied with the details of his own business organization to be able to consider the varied requirements of retailers. This work falls to wholesale warehousemen who make a special study of the retail trade. They keep in stock a sufficient variety of goods, coming from many sources, to be able to fill up nearly every order from a retailer promptly from their own stock. Each wholesaler specializes in a narrow range of goods, but keeps in stock a large variety within that range. By this arrangement the cost of carrying large stocks is partly transferred from the manufacturer to the wholesale warehouseman. Thus, the local tailor does not usually carry a large stock of suitings. He is in touch with a wholesale cloth merchant, who provides him with a range of patterns from which customers may make their selection. The wholesaler will draw his supply from many quarters, and will carry a varied stock suited to the needs of his tailor customers. In this arrangement there is great economy and convenience; the ultimate customer is given a very wide choice in selection, whilst the tailor is not required to lock up his small capital in stock.

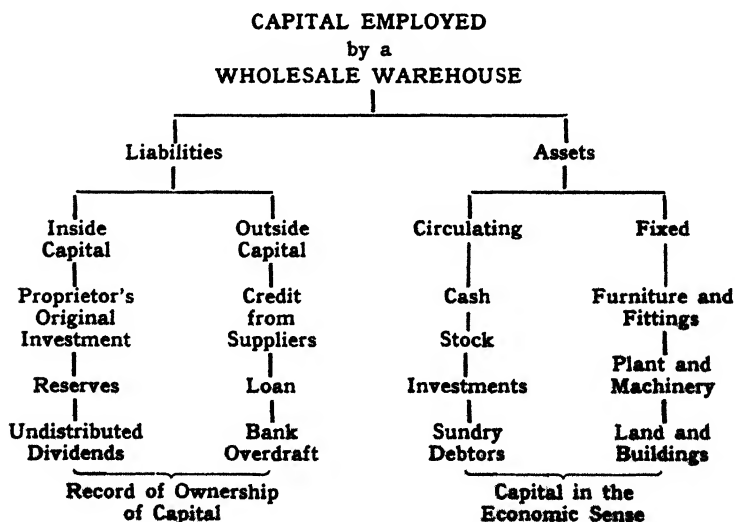
In considering these functions of the wholesaler it is evident that the element of time is of considerable importance. The retailer shows an increasing tendency to buy in small quantities and to

keep small stocks of goods, which are replenished at frequent intervals and at short notice. It follows, then, that the wholesaler who can deliver the goods promptly will, other things being equal, obtain the orders.

**FINANCING THE BUSINESS.** The capital of any business undertaking may be classified under two headings. First, there is what might be termed the *Inside Capital* of the business which is under the direct control of the proprietors; and, secondly, there is the *Outside Capital*, the supply of which is dependent upon persons or institutions which are outside the business unit. In the first place, considering the inside capital, we have that which is provided by the owners of the business. In a sole trading concern this is, of course, provided by the owner himself, but businesses of the sole-trading type are rare in the wholesale trade where capital is required on a relatively large scale. Hence, we find that this capital is provided by a number of persons who are united either as a partnership or as a joint-stock company. In addition to this capital which is provided directly by the owners of the business, inside capital may be present in other forms. Every business in a healthy state will yield a return in the form of profits under normal conditions, but it is a sound policy in business finance never to distribute as dividends all the profit which accrues during a trading period. As in every sphere of human action, uncertainty is a factor to be reckoned with in business, so that the dictates of prudence demand that a certain portion of profits shall be set aside in the form of reserves to meet unforeseen contingencies in the future. These reserves, therefore, form part of the capital of the business. Of a very similar nature are undistributed dividends which act as a reserve, although they are not designated as such.

Considering now the Outside Capital of a concern, one of the chief sources of this is the credit facilities which its suppliers extend to it. It is obvious that if a trade supplier delivers goods at the present time, and is content to wait for payment for them for three or six months, he is, in reality, providing capital for the business. Outside Capital may also be provided by borrowing from those who are willing to advance funds against approved security. In the case of a small business the owner may be able to approach friends who will be willing to finance him, or in the case of a partnership, one of the partners may advance money to the business by way of loan

at an agreed rate of interest. The joint-stock company is provided with a means of borrowing money from the general public by the issue of debentures. These are instruments recording the loan of a certain sum of money to the company, entitling the holder to the payment of interest at fixed intervals and usually to the repayment of the sum lent at a specified time. Finally, loans may be obtained from banks, always provided that proper security can be given. Banks, however, do not grant long-term loans, for whilst their resources are large they are, in the main, repayable on demand and, therefore, can only be prudently utilized as temporary loans against undoubted security. In this connection, however, it may be observed that the banks afford the wholesale and retail trades much greater assistance than is commonly supposed. The Chairman of the Midland Bank, in his report for 1928, states that loans to wholesale and retail traders amounted to  $11\frac{1}{4}$  per cent of its total advances to customers, and that more than two-fifths of this total was lent to retailers with a single place of business. As he states that the Midland Bank made 31,000 such advances, and the average amount of each was only £330, it cannot be said that the "one man business" does not receive proper consideration at the hands of its bankers. The chairman further stated that in all probability a large part of this accommodation extended by the bank to wholesalers



and retailers has the effect of enabling them to give regular credit to their customers.

In dealing with capital on the above lines, in terms of loans, advances, shares, debentures, and so on, we are dealing with a more or less abstract idea of capital. Capital, in the economic sense, is comprised of those things which are used in the production of further wealth, such as stock or plant and machinery. It is in the assets of the business that we find the true capital, and shares or debentures are merely records of the ownership of these assets. This distinction must be clearly kept in mind since the failure to recognize the difference gives rise to endless confusion.

**ORGANIZATION OF THE WHOLESALE WAREHOUSE.** We will now proceed to examine the organization of a typical wholesale warehouse. From the diagram on page 185 it will be seen that the business policy is in the hands of a Board of Directors who act through a Managing Director. The business itself is divided into two main sections—the Administrative and the Executive. The principal functions of the administrative section of a business have been dealt with elsewhere, and need not be considered in detail here. They include all matters relating to the financial and legal requirements of the business as well as those falling under the heading of general administration. In this chapter, however, we are more directly concerned with the organization of the executive section, the activities of which may be divided as follows—

(a) The purchasing of goods for stock from the various sources of supply.

(b) The organization of the selling departments of the warehouse.

(c) The treatment of incoming orders, whether received by post or from the customer in person.

(d) The procedure by which goods are packed and forwarded to their destinations.

As a general rule, the warehouse is divided up into a number of departments, each of which is under the control of a buyer. Each of these departments deals with a number of articles of a similar nature, as will be seen from an examination of the specimen Sales Assembly Form given on page 184. A new customer, seeking to establish business relations with the concern, will usually interview the manager and submit to him his credentials, so that the manager may form an idea of the standing of his business. The greater the



# SPECIMEN SALES ASSEMBLY FORM.

Kindly see that your Name and Address is WRITTEN IN FULL.

## C & M MILLINERY.

Time.....30th March, 19—....

## S. & J. WATTS & CO.

Name..... John Smallman.....

Street..... Bolton Road, .....

Town.....Swinton, near Manchester.....

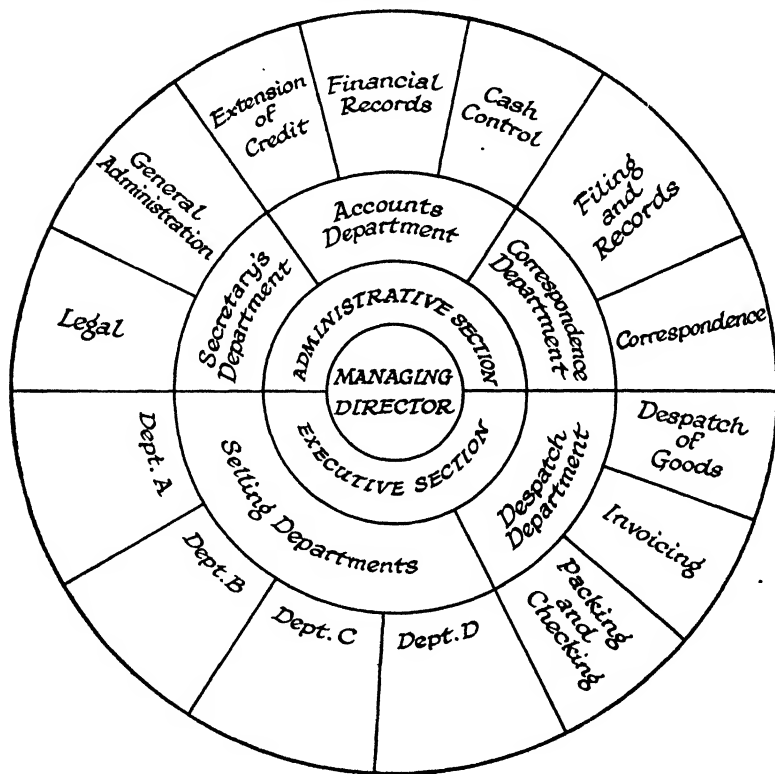
5th Floor	Children's and Maids' Millinery		Silver Street Warehouse	Jewellery and Leather Goods	
4th Floor	Skirts		Entrance by Bridge on 1st Floor	Stationery	
	Flowers and Furs			Ready Mades	
	Ribbons			Bespoke Tailoring	
	Silks and Dresses			Carpets	
	Ladies' Millinery and Straws			Tea	
3rd Floor	Lace and Muslins		Gr'nd Floor Counting House	Hardware and Furnishing	
	Underclothing			Hosiery	A. B.
	Girls' Outfitting	R. D.		Children's Socks	
	Ladies' Shirts and Blouses			Fancy Hosiery	
2nd Floor	Gloves	J. T.	New Portland Street Warehouse	Prints and Fancy Flannels	
	Bandannas, Collars and Braces			Dyes, Quilts, Sheets and Linings	
	Fancy Haberdashery			Flannels and Blankets	
	Smallwares, Braids, Worsted & Wools			Coloured Cottons	
1st Floor	Mantles and Shawls		Entrance by Subway	Greys	
	Curtains and Art Muslins	E. J.		Whites	
	Ladies' Woven Underwear			Fustians	
	Corsets, Boots, and Mackintoshes			Shirts	
	Vests and Pants			Linens	

Please leave this at the Door with Instructions, to ensure Goods being forwarded as promptly as possible.

confidence which he can inspire in this way, the more favourable are the terms which he is likely to obtain.

Upon entering the warehouse, a customer is handed a Sales Assembly Form, a specimen of which is reproduced on page 184.

### SCHEME OF ORGANIZATION OF A WHOLESALE WAREHOUSE



As he proceeds through the different departments of the warehouse choosing the articles he requires in his particular line of business, the salesman in charge of the section initials the sales assembly form in the appropriate place and, at the same time, makes an entry in a "slip" book of the quantity and details of the goods required. The same procedure is followed in each of the other departments which the customer visits, and upon leaving the warehouse leaves the form in an "instruction box" specially provided for the purpose.

We now must follow the process by which the goods are assembled and dispatched. The assistant in each department who is responsible for the order, gets the goods out of stock according to the particulars which he has entered in his departmental slip book. He groups them together on a counter, or places them in a basket or skip. After they have been checked, the goods are sent to the packing room accompanied by a duplicate copy of the entry in the slip book. Here they are assembled together with goods for the same customer from other departments, and when the whole order has been got together as shown by the sales assembly slip, the Dispatch Clerk checks the whole consignment.

Whilst the goods are being packed, the Invoice Clerk makes out the account for the goods, using for this purpose a triplicate form as follows—

1. *Invoice*. The first form is the invoice which is posted to the customer, and gives full details as to the quantity, quality, and prices of the goods.

2. *Delivery Note*. The second copy is made on a short sheet of paper, so that cash columns are omitted and particulars of the goods only appear. This copy is sent to the customer with the goods, and serves as a delivery note.

3. *Listing Room Copy*. This is a full copy, exactly as the first with all prices filled in, and is kept for record purposes.

If the customer does not wish to make a personal visit, but sends his order through the post, a " Mail Order Card " is made out giving full details of the order. This is sent through the various departments, and the goods are assembled and dispatched as before.

### TEST PAPER XIII

1. Imagine you have been appointed manager of a wholesale warehouse and that you are required to map out the departments of the business and to delegate the duties among the various assistants in such a way as to attain the maximum of efficiency. On what lines would you proceed?

2. In some classes of trade the wholesale warehouseman seems to be indispensable. Point out any such trades and give your reasons why his customers do not buy direct from the producers.

3. A retailer wishes to open an account with a wholesale warehouse. Trace carefully the course of business which generally ensues.

4. Outline the course of a transaction between a wholesale and retail firm. Write one letter and give an example of one credit document that may pass between the firms.

5. Enumerate the chief functions of the wholesale warehouseman. What general principles should guide him in his efforts to increase his turnover? In what respects does the organization of the wholesale warehouse differ from that of an ordinary retail shop?

6. Why are stocks held by (a) manufacturers, (b) wholesale warehousemen, (c) retailers? Describe the organization of a wholesale warehouse with several departments, explaining the functions of the departments and their relationship to the business as a whole.

7. Consider a wholesale warehouse with which you are familiar, pointing out the duties of the various grades of employees and their relationship to one another, and indicating the methods and machinery of the purchase and sale of goods.

8. The business of a wholesale warehouseman is divided into four departments: (A), (B), (C), (D). When orders are received from customers, they may relate to goods connected with any of these four departments. How would you suggest that such orders should be handled by the warehouseman's staff upon receipt, with due regard to expedition?

9. State the services which a wholesale warehouseman can render to a retailer.

10. Messrs. Arthur Jones & Company, of Bexhill, have written to your firm, asking whether they will open an account with them and give them six months' credit. Frame a suitable reply asking for references, and intimating that it is not your firm's practice to give more than three months' credit.

11. Why should the period of warehousing be curtailed wherever possible?

12. What relation do the working expenses of a wholesale warehouse bear to the profit of the business?

13. What are the primary objects which the wholesale trader must endeavour to achieve in the keeping of his accounts? Supposing that you are the head accountant in a large wholesale business dealing in six staple commodities. What statistics would you think it necessary to put before the management at the end of each month?

14. When fixing selling prices the wholesaler adds a smaller percentage to cost than the retailer does. Explain carefully why this is the general practice. How does this difference affect the return from the capital employed?

15. The fourfold division of every business, wholesale or retail is buying, selling, financing, and accounting. Examine the appropriateness or the reverse of this division and outline a scheme whereby co-ordination could be secured between the four in the case of a wholesale warehouse business.

16. What is a co-operative wholesale society? What are its functions and its connection with retail co-operative societies? How do the members of the latter participate in the profits of the former?

## CHAPTER XIV

### THE MANUFACTURING BUSINESS

THE word *organon* means "tool" or "utensil," which seems to imply that an individual organ by itself possesses no independence, and it is only by the combination of these various parts into a whole that it becomes an organism, i.e. a living entity. In this whole, however, the individual parts must be suitably arranged if they are to achieve their purpose; they must be superordinated and subordinated if they are to form an organization. Thus, an organization is unlike a ready-made suit which can be purchased ready for use, but it must be made to measure. To evolve a standardized type of organization which will be suited to every set of circumstances is an utter impossibility. For this reason, the organization of one undertaking cannot be transferred bodily to another, for there are great differences between one undertaking and another. Failure to recognize this fact has led to disappointment and heavy losses times out of number.

Broadly speaking, it is possible to draw a distinction between—

(a) Industrial groups which are determined by the raw material. The chief characteristic of such undertakings is that supply prices consist for the most part of the cost of the raw materials.

(b) Industrial groups which are determined by labour. The chief characteristic of these is that a large proportion of their costs are made up of wages.

(c) Industrial groups which are determined by the fixed capital. In this case the chief item of expenditure is on plant, buildings, and other fixed assets.

**FINANCING THE BUSINESS.** The maxim is frequently laid down that a business must commence its operations with an adequate supply of capital—a statement which no one is likely to deny. The question immediately arises, however, as to what constitutes an "adequate" supply of capital for any particular organization, and upon the correct solution to this problem depends in no small measure the success of the business. Among other things, the following points must be given consideration—

(a) **The Industry.** In the first place the capital investment required

for similar businesses in the same industry must be ascertained. Different types of business require a widely varying scale of capital expenditure. Thus, in general, the manufacturing business requires a greater investment than the distributing concern. Within the manufacturing industry itself there are to be found wide variations, as for instance, in the case of the iron and steel industry which requires a much heavier investment than, say, a printing works. If there are any special considerations which will tend to make the necessary investment higher or lower than the average, these must be taken into account.

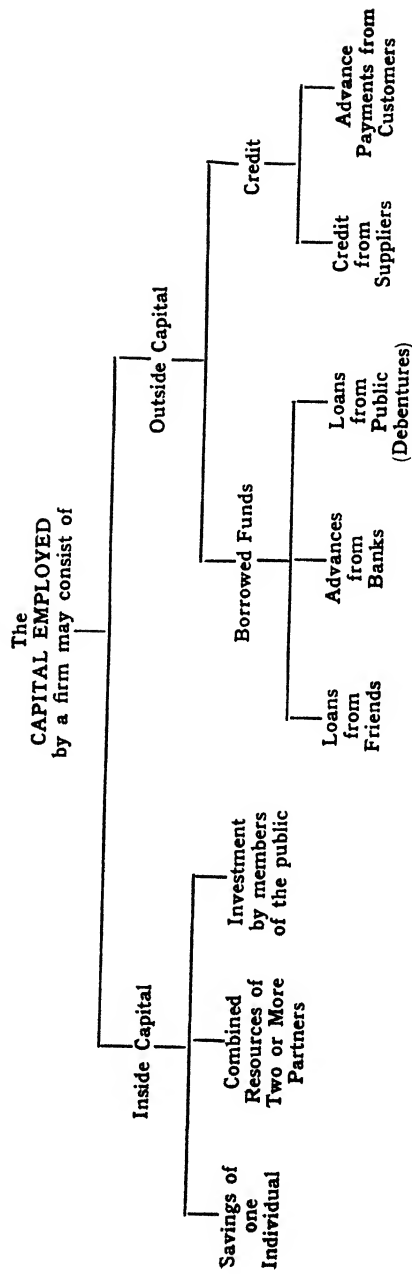
(b) **The Scale of the Operations.** Much will, of course, depend upon the size of the business when it commences its operations. Many branches of the manufacturing industry can be entered by concerns which commence their operations in a small way, and gradually expand as the amount of business and their financial resources warrant.

(c) **Nature of the Investment.** It must be considered whether there will be heavy initial expenditure on real estate, buildings, and machinery, or whether all or a portion of the fixed assets can be rented or leased. Then there is the question of the amount of circulating capital which will be required. This will depend in the first place upon the duration of the manufacturing process. If this is such that, in the ordinary course, a long period must elapse between the purchase of the raw material and the delivery of the finished product, then the circulating capital must be greater than would otherwise be the case. This is again true if the productive process is a costly one, involving heavy labour expenses before the goods can be marketed. Again, the circulating capital will vary according to the customary terms of purchase and sale.

(d) **Cost of Development.** Consideration should be given to the period within which the business may be expected to "pay its way." Some types of business, if properly organized, yield an income to their proprietors from the outset, while others require months or even years before they normally show an adequate return. Hence, provision must be made to meet expenses during this period. In addition to this, further expenditure must be provided for in connection with an active policy of development, such as canvassing and advertising, in order to cope with the competition of other producers.

As shown in the diagram on page 190, a business may raise the

## CAPITAL EMPLOYED BY A MANUFACTURING CONCERN



necessary capital in a variety of ways. The ideal way of launching a business would appear to be on the basis of the personal savings of an individual, although in large-scale undertakings this is not practicable. It is a safe rule to lay down that no one should be trusted with the savings of others until he has shown ability in investing his own. While, however, the individually owned and controlled enterprise may be most desirable, it frequently happens that a single owner does not have and cannot command sufficient capital to enable him to launch the business. In these circumstances he may find one or more friends or business acquaintances who will throw their lot in with his and combine their resources, and set up in business either as a partnership or a private limited company. Finally, if the business is of such a nature that these methods are not enough, the scheme may be laid before the public who are invited to take up shares in a limited company which will carry the scheme into effect.

The capital which we have so far considered may be termed the *inside capital*, but in addition to this, every business possesses one or more varieties of *outside capital*. This outside capital, in the first place, may take the form of borrowed funds. It is sometimes possible for a sole-trading concern to secure the financial support of relatives or friends who do not wish to enter the business as partners, but who have sufficient confidence in the character and ability of the owner to advance him the money he requires. Again, additional funds may be raised from a banker upon the deposition of approved securities, while in the case of a company, loans may be raised from the public by the issue of debentures. Part of the outside capital will be furnished by suppliers who allow the concern to purchase goods from them on a credit basis. Finally, it is sometimes possible for a small, locally-operated business to secure advance payments from friendly customers. This method is of extremely limited application, and no business could rely on this form of finance.

**COSTS OF PRODUCTION.** On account of the close competition in business, it is necessary for the manufacturer to know exactly what it costs to produce his goods. Abrupt fluctuations in the selling price of commodities within recent years has forced many producers for the first time to think seriously regarding their costs of production, and the relation of those costs to changes in general business conditions. It is obvious that no concern can plan its operations



with any hope of success unless it has some definite means of knowing the actual costs of producing the various types of goods turned out. A very large proportion of the financial losses suffered by industrial concerns are due to a failure to keep an accurate record of costs. Where such a record exists, however, the greatest benefit is obtained only when it is possible to compare the expenses of a particular concern with those which are typical of other undertakings engaged in the same industry. Unfortunately, in this country, in the vast majority of industries, no statistics of production exist for this purpose, so that no such comparison is possible.

An attempt at such a comparison has been made by the Committee on Industry and Trade in *Further Factors in Industrial and Commercial Efficiency*, where the elements comprising the cost of production have been grouped under three main heads, given as follows—

(a) **Materials.** Under this head is included the full cost, including usually, transport charges, of all materials of manufacture. They may be either raw materials, such as iron ore or raw cotton, or manufactured or partly manufactured materials, such as steel billets, cotton yarn or leather, or yet again they may be by-products or waste of other manufactures or processes. Materials are often themselves the finished products of other trades or processes, and their cost covers the cost of the raw materials, the wages, and other expenses of the earlier processes, generally the cost of transport, and, assuming they are sold at a profit, the return on the capital employed in the earlier stages of manufacture.

(b) **Wages and Salaries.** This head comprises the cost, not only of the labour directly employed in the particular trade or process of production, and of the indirect labour employed in, for example, the handling of materials, storekeeping, timekeeping, and supervision, but of office staff and management. The heading covers, therefore, the total wages and salaries bill of the undertaking, except in so far as further remuneration is included in Other Expenses, e.g. under the sub-head of Maintenance in cases where maintenance work is carried out by the staff.

(c) **Other Expenses.** This head covers the cost of power, light, water, and heating; depreciation and maintenance of buildings and plant, including wages and the necessary materials where maintenance work is carried out by the manufacturer's own staff; rates, property

DIAGRAM ILLUSTRATING THE CLASSIFICATION OF COSTS OF  
PRODUCTION ADOPTED BY THE COMMITTEE ON INDUSTRY  
AND TRADE

This forms the basis of the comparison given in the diagram on page 194.

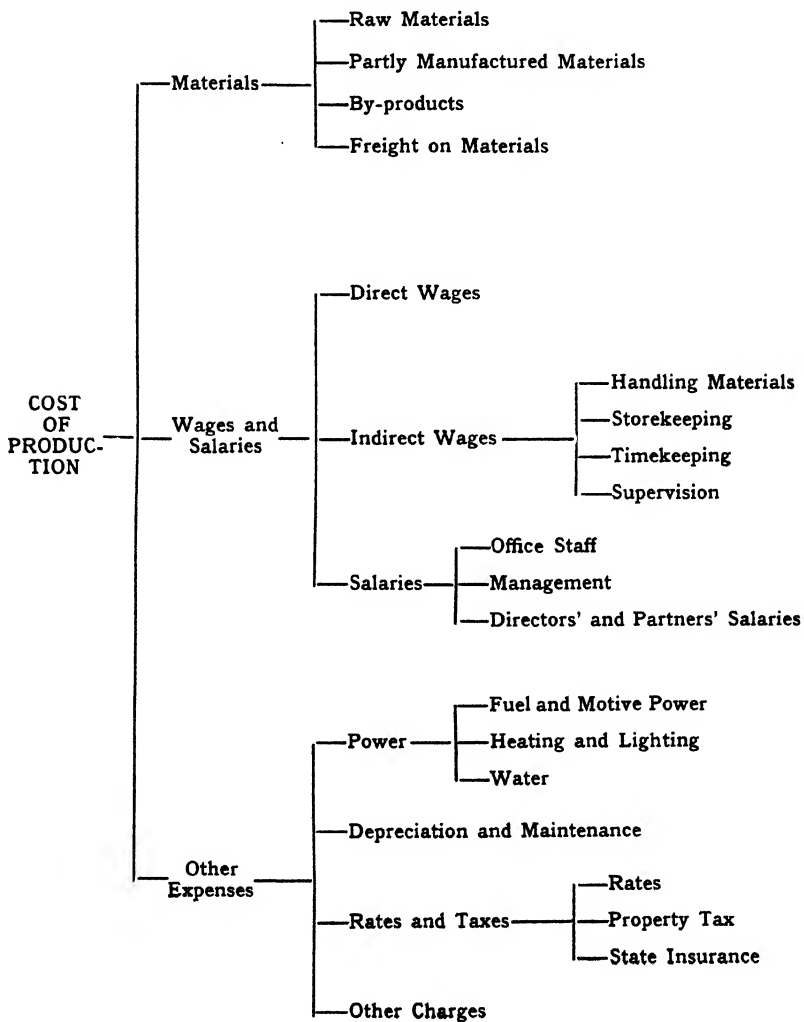
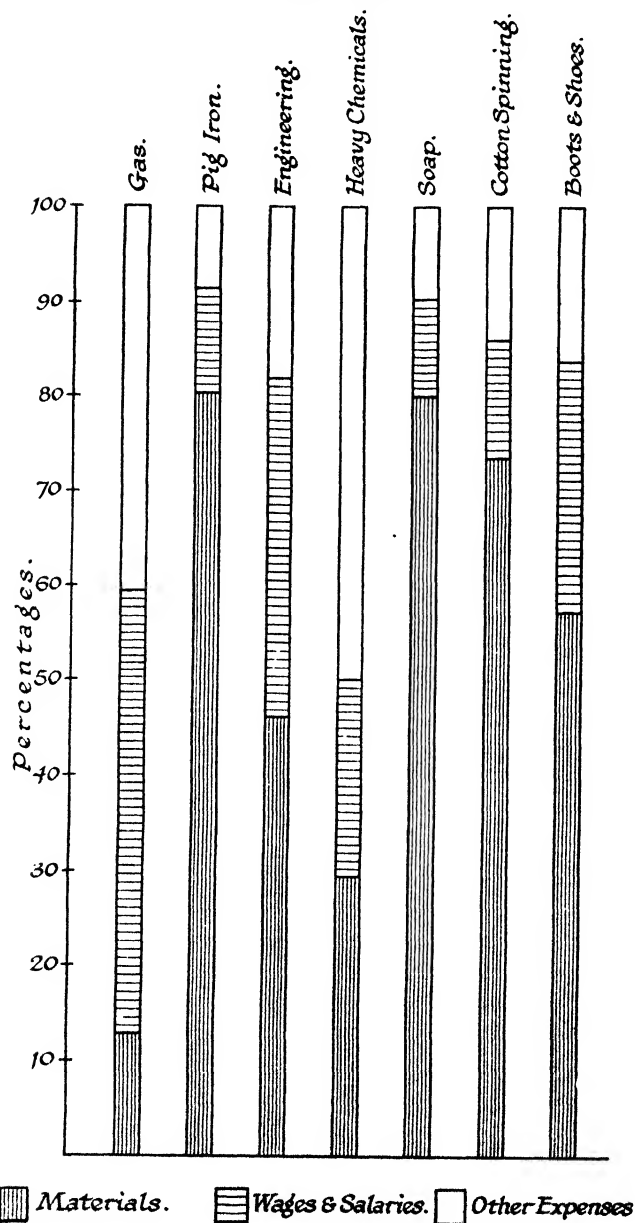


DIAGRAM SHOWING PERCENTAGE DISTRIBUTION OF COSTS  
OF PRODUCTION IN SEVEN DIFFERENT MANUFACTURING  
INDUSTRIES



tax, State insurance, and workmen's compensation, and all other charges not elsewhere included.

Working on this basis, comparisons of the expenses of different branches of industry have been made, some of which are given in the diagram on page 194. From an examination of this diagram it will be seen that the relative importance of these three divisions of expenses varies within wide limits. Thus, in the iron industry, cotton, and soap industries, the cost of materials is heavy in proportion to other expenses, while in the gas and engineering industries, labour charges are much more important.

**ORGANIZATION OF THE FACTORY.** Every scheme of organization should be adapted to the peculiarities of the particular branch of industry. When considering the organization of a large-scale manufacturing business, the first thing that strikes us is the division of the organization into a technical and a commercial section. The dividing line between the two, however, cannot always be clearly drawn, for here there are duties which can be performed either by the commercial manager with a technical training, or by the technical manager with a commercial training. Experience has shown that capable commercial managers can sometimes master the technical knowledge required in the performance of their duties better than the technician. On the other hand, there are engineers who sometimes possess a higher degree of commercial ability than do many business men. These, however, are exceptions. The average commercial man undergoes a different training from that of the average technician—a fact which exercises a great influence upon his mental outlook. Thus, the commercial man is more interested in the economic aspect, whilst the technician is interested in the technical aspect. The commercial man will place emphasis on the cost of production since he desires to economize and to realize a profit, whilst the technician directs his attention primarily upon the production of a good article which shall fill all the requirements of technique.

Efficient organization provides an indicator which enables the executive to keep in touch with the working of every section of the business. As already indicated, one prolific cause of failure in business organization lies in the endeavour to adapt the machinery of larger businesses to the requirements of small ones. It must be realized from the outset that details are not all-important, but that

the underlying principles are vital to success. Unless the manufacturer understands thoroughly the principles which underlie the use of a particular method in another business, he is wasting time in attempting to adapt it to his own use.

Broadly speaking, a sound system of organization should possess the following characteristics—

(a) **Adaptability.** The organization should always be designed to allow for an expansion of the business without necessitating drastic reorganization. It follows, then, that the system must be flexible—not rigid. It must be so constructed that it can adapt itself to new conditions and emergencies.

(b) **Simplicity.** The greater the degree of simplicity which characterizes an organization, the more effective is it likely to be. A complicated organization, the details of which are difficult to master and necessitate the special training of the staff, labours under a big handicap. Once started, the working of the system should be largely automatic, so that it can function with the minimum of supervision.

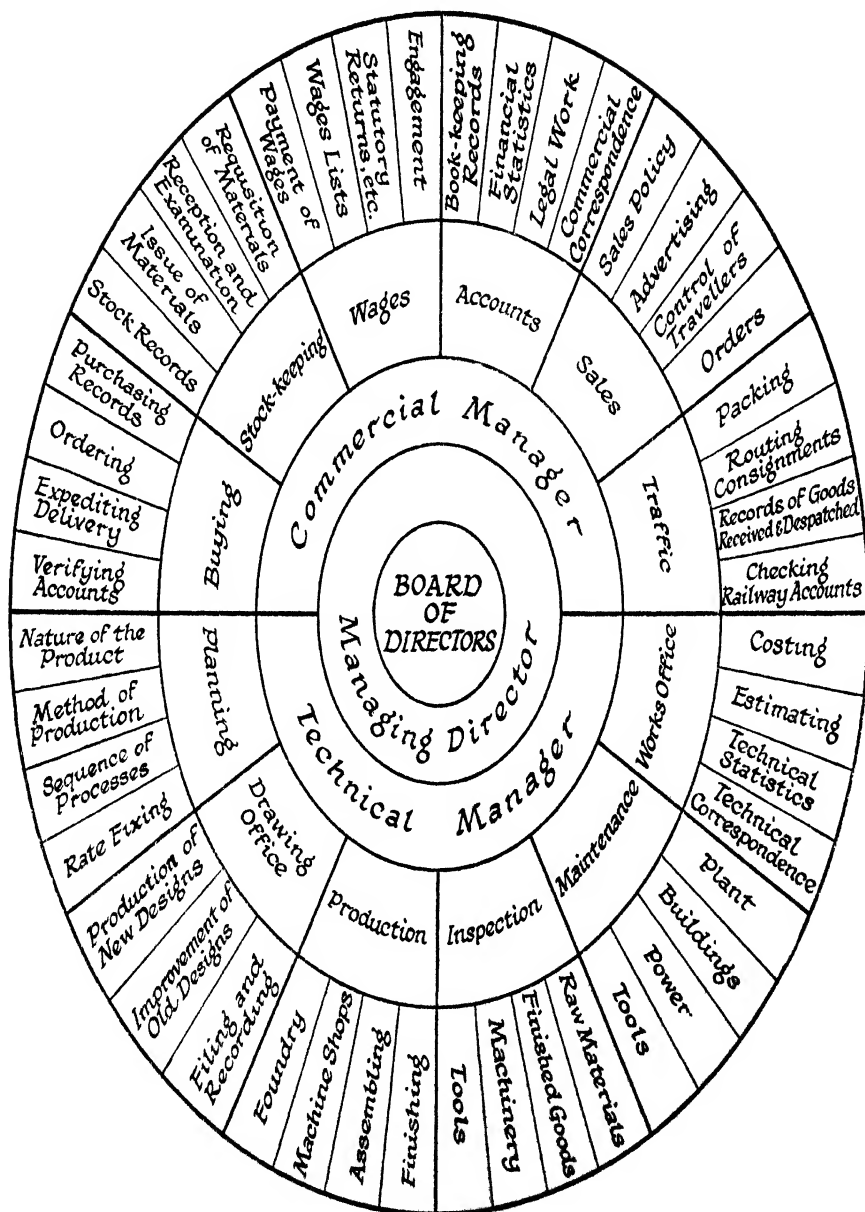
(c) **Co-ordination.** The organization must ensure the highest possible degree of co-ordination of all the manifold activities of the undertaking. Organization must aim at uniting individuals into a body which shall work for a common end; it puts vitality into the entire factory, and secures the efficient co-operation of all employees from the manager's office to the mechanic's bench.

(d) **Efficiency.** A fourth demand which is made upon the business organization is that it shall conduce to efficiency. Thus, the labour force must be so utilized as to obtain the maximum productivity. The purpose of stock-keeping is not so much to have a record of the amount of stock in hand, as to ascertain the most economical quantity and the most profitable type. This applies with equal force to every other side of the organization.

**THE TECHNICAL ORGANIZATION.** We shall now consider the organization of a typical manufacturing business which is organized in accordance with the scheme facing page 196. From this it will be seen that the undertaking is divided into a technical and a commercial section. The supervision of the processes of manufacture, and the control of the various service departments whose activities are directed to furthering these processes, devolves upon the highest technical authority—the works manager. The duties of this official,



# DIAGRAM SHOWING SCHEME OF ORGANIZATION OF A MANUFACTURING BUSINESS







and the functions of the departments under his control, cannot be given here, and the reader must refer to more specialized works for particulars, but, in general, he may be said to supervise the following departments—

(a) **The Planning Department.** This department is not concerned with the actual design of a particular article, but its essential duty is to produce work in the shops according to instructions received. In the case of every order which enters the factory, it has to define a definite sequence of processes and methods of production, and to fix a time for each constituent process. This may be done by utilizing statistical records of past experience, but over and above this, the head of the planning department must be a man of considerable practical experience if he is to carry out his duties satisfactorily.

(b) **The Drawing Office.** From this office originate all the working drawings and specifications on which production is based. In many cases, these are, to a large extent, standardized, yet constant changes in detail will be made as improvements are introduced into manufacture. Efficient control and systematic working is essential in this department in order that records may be readily accessible when required. Any laxity of method will speedily reveal itself in disorganized production in the form of serious delays and costly mistakes.

(c) **Productive Department.** This includes all those sections which are actually engaged in producing the output of the factory. It consists of officials such as assistant works managers, shop superintendents, and foremen, together with charge hands and operatives. The department is subdivided into a variety of sections, the nature of which varies according to the class of business. Thus, we may have the foundry, the machine shops, the assembly and finishing departments. These departments may be still further subdivided if the size of the business warrants it. Thus, the foundry may be divided into four sections which deal with—

1. The preparation of the molten metal.
2. The preparation of the mould or form.
3. The running or casting of the metal.
4. The dressing or “ fettling ” of the casting.

(d) **Inspection Department.** The inspection branch of the organization consists in the testing of raw materials, finished and partly-finished components, and final inspection, while it may also include

the testing and inspection of new plant and equipment. This department is usually established on an independent basis under a chief inspector who derives his authority from, and is responsible to, the works manager. No one in the factory organization, except the management, should have the power to overrule decisions of this department.

(e) **Maintenance Department.** This department embraces all those activities which have as their object the provision and maintenance of efficient manufacturing conditions. It may include carpenters, millwrights, electricians, and mechanics, the whole being under the control of the works engineer.

(f) **The Works Office.** This section of the office keeps accurate records relative to the operations of the various departments throughout the factory. It frequently deals with incoming orders, and deals with the clerical work involved in the dispatch of the finished goods. It may supervise the work of the stock-rooms, and determine maximum and minimum stock limits, while it may also deal with the requisitions on the purchasing department for raw materials.

**THE COMMERCIAL ORGANIZATION.** As we have already indicated, it is not possible to make any hard and fast distinction between the technical and the commercial sections, and the departments which fall under the control of each will vary with different undertakings. In every concern, the financial control of the undertaking will be vested in the commercial section. It will lay down the policy regarding the fixing of prices, the terms of sale, the discounts, and other similar matters. It will deal with the problems of commercial credit, and settle whether the concern shall sell or refrain from selling in any given case. It attends to the question of financing the purchases, and determines the extent of the firm's commitments in this direction. Through the medium of the accounting system it gathers up the whole of the diverse threads of business activity of the concern, and classifies, analyses, and interprets the results for the benefit of the administration. The commercial department is mainly responsible for the intercourse with other business undertakings through the correspondence, and it is usually responsible for satisfying the requirements of the law with regard to such matters as—

(a) Making statutory returns in connection with the Companies Acts.

(b) Returns in connection with the Factories Acts, such as notification of accidents, the number of young persons employed, etc.

(c) Returns which are required by the Inland Revenue Authorities in respect of workers liable to income tax.

In addition to the foregoing, which may be said to embrace purely commercial activities, the commercial manager may be also responsible for a number of other departments, such as—

(a) Buying Department.

(b) Stock-keeping.

(c) Wages.

(d) Sales Department.

We shall now consider the nature and functions of these departments in a little more detail.

**THE BUYING DEPARTMENT.** Good buying is of fundamental importance in every business enterprise, but this remark applies with special force to the manufacturing business. An examination of the diagram on page 194 will show that, in the ordinary course, the cost of materials amounts to a high percentage of the total expenses, amounting, in the case of some industries, to as much as 80 or 90 per cent. In order that a business may achieve success, it is essential that its purchasing policy be sound, for no concern can long hold its own unless it buys wisely in regard to quality, quantity, price, and time.

**The Buyer.** Great demands are made upon the manager of this department, not only in regard to the technical qualities of the goods, but also from the legal standpoint. Unless the person who is responsible for the purchases has made a thorough study of the articles which he must handle, he will be compelled to rely upon the advice of others without having any means of determining whether this advice is good or bad. Under such circumstances, he will always be liable to buy goods which are unsuitable for his purpose. Such a knowledge of the goods cannot be acquired by the study of books alone, but must be obtained through actual experience. Many firms make a practice of sending their buyers on a tour of inspection of the factories of their suppliers, so that by studying the manufacturing processes, they may acquire a knowledge of the properties of the goods at first hand. Furthermore, the buyer must be awake to the general trend of business conditions, so that he does not make unfavourable purchases owing to market fluctuations.

In addition to the foregoing, the buyer must possess the requisite degree of organizing ability in order to ensure the smooth working of his department. He must also possess a thorough knowledge of the principles of law which have to be considered when dealing with offers, acceptances, contracts, and their fulfilment.

**Source and Nature of the Order.** The person who is responsible for the placing of orders in a manufacturing concern varies with the size and nature of the business. In the small-scale undertaking, the proprietor himself will probably order the goods. In the medium-sized concern the duty will devolve upon a special employee—the buyer—who, in the case of a large-scale undertaking, is generally placed at the head of a department. In concerns engaged in mass manufacture, the order will generally emanate from the stores department, whereas in undertakings of specialized manufacture it will originate from the technical office.

In concerns where only a small amount of raw material is employed, the notification of the requirements of the stores to the buying department is a relatively simple matter. Frequently, large contracts have been placed, so that it is simply necessary to call up deliveries from time to time. When, however, the administration of the raw material becomes more diversified, it becomes necessary for the stores department to communicate its requirements in writing. For this purpose a duplicate requisition book may be employed, the requisition taking a form similar to that given in the example on page 201. This form is filled in by the head storekeeper, and sent to the buying department, while the duplicate remains in the book in the storekeeper's possession for reference. The storekeeper should keep a watchful eye on his stock records, so that he makes certain that further supplies are requisitioned as any particular line of stock approaches the minimum quantity. The buyer should be given sufficient time not only to obtain the goods under normal conditions, but a reasonable length of time allowed for unexpected delays.

**Sources of Supply.** Before the buying department can make out the order, it must ascertain the name of the firm from which the goods have to be ordered, or find a number of firms which stock that particular line and from which quotations may be obtained. In some cases the name of the last supplier is known to the storekeeper, in which case he will indicate it on his requisition as in the example given. In other cases, however, it is a great advantage to keep a

**EXAMPLE OF A STOREKEEPER'S PURCHASE REQUISITION FORM SUITABLE FOR USE IN A LARGE  
MANUFACTURING BUSINESS**

**THE CAMBRIAN MANUFACTURING CO., LTD.,  
CARDIFF**

**STORES REQUISITION No. B 5431**  
Date.....20th December, 19— ..

This Requisition to be issued by the General Storekeeper when Stores are required to be purchased. It must be made out in duplicate. The original must be handed to the Commercial Department for approval and to effect the Purchase. The copy must be retained in the book by the Storekeeper. If the Stores required are ex a contract entered into for their supply, mark "Ex Contract" in the description and quality columns against the item concerned and also give the supplier's name.

**NOTE.** As the termination of a contract approaches, the Storekeeper should notify the Commercial Department on a Stores Contract Report Form in good time to enable early negotiations to be started for a renewal.

Item No.	Description and quality of goods required	Weight or Quantity	Size	When Required	Present Stock	Last Supply			Minimum Stock Carried
						Date	Quantity	Supplied by	
1	Standard Whitworth Screws (Countersunk Heads)— Brass	10 gross	$\frac{1}{2}$ in. diam. $\frac{1}{2}$ in. length	15th Jan.	$\frac{1}{2}$ gross	5th Sept.	10 gross	Brown & Co., Ltd., Birmingham	$\frac{1}{2}$ gross
2	Pulleys (Solid), 12 in. diam., 3 $\frac{1}{2}$ face, 1 $\frac{1}{2}$ in. bore	12		31st Dec.	3	3rd Jan.	12	Engineering Supply Co., Cardiff	2
3									
4									

Approved by ..... J. G. Jones

Signed..... Henry Lewis  
General Storekeeper

register of suppliers, which is best kept in the form of a card index. Every type of article has its special card arranged in alphabetical order in the filing cabinet, while, in order to facilitate reference, guide cards may be used to demark different classes of goods. The card, as shown in the example, merely contains a complete description of each article together with a list of the firms which supply

### SCHEDULE OF TENDERS

FOR

*Standard Whitworth Screws (Brass) with  
countersunk heads,  $\frac{1}{4}$  in. diam.,  $\frac{1}{2}$  in. length.*

FIRM	Amount	Delivery	Remarks
	£ s. d.		
<i>Brown &amp; Co., Ltd., Birmingham</i>	1 16 8	1st January	Less 20 per cent
<i>Robinson, Sons &amp; Co., Newcastle</i>	1 14 0	} one week after receipt of order	Nett

Please accept the tender of Messrs... *Brown & Co., Ltd.*...

**NAILS**,.....*Countersunk, Clout Points*.....

Supplier	Catalogue No.
<i>Smith, Robinson &amp; Co., Ltd., Birmingham</i> . . .	S 58
<i>Excelsior Manufacturing Co., Swansea</i> . . .	E 90

it, and containing a reference to the classification number of the catalogue.

In a case where special quotations are invited from a number of different firms it is desirable to preserve a record of these for future reference. A schedule of tenders may be prepared, as shown on page 202, setting forth the name of the firm submitting the tender, the amount, terms of delivery, and any special remarks. At the foot of the form the buyer makes a note as to which tender is accepted. The form may be filed away for reference after the goods have been ordered.

**Giving the Order.** After the question of the source of supply has been settled, the order is written out on the basis of the quotation. Particular care should be taken that all descriptions are given clearly and without ambiguity. Specifications should be followed closely, so that no supplier can avoid the issue in the event of any dissatisfaction with the goods supplied. Most firms order goods on official order forms similar in style to the example given, containing special clauses in print regarding the terms and conditions of purchase, and other relevant matters in order to save time in typing. Frequently, the time element is of considerable importance in ordering, so that the time of delivery should receive consideration in preparing the order. In some cases, a perforated slip is attached to the order, bearing the same number as the order, which it is the duty of the supplier to return, filled in, with a definite date of delivery and a confirmation of the price. In this way, a definite promise of delivery is secured together with an acknowledgment that the order is received and accepted as it stands. A covering letter of a formal nature is frequently enclosed with the order.

A number of copies of the order may be taken according to the requirements of the business. In addition to the original which is sent to the customer, one copy will be kept and filed away for reference in the purchasing department, another may be sent to the stores as an advice that the goods have actually been ordered, a third copy may be sent to the accounts department, and, finally, one may be sent to the receiving department. This last copy may have the quantities omitted so that the receiving department is compelled to check the goods and furnish a report on the quantities actually received. The copy retained in the buying department may be filed away in a folder containing other orders, the delivery

SPECIMEN ORDER FORM SHOWING DETACHABLE SLIP AT FOOT  
FOR THE ACKNOWLEDGMENT OF RECEIPT OF THE ORDERTelegrams:  
CAMBRIAN, CARDIFFOrder No. B 723  
Which must be quoted on  
all invoices, etc.

Telephone: 912

**The Cambrian Engineering Co., Ltd.**Head Office:  
LEADENHALL STREET,  
LONDON, E.C.3**RELIANCE WORKS****CARDIFF** ..... 24th December, 19.....Works:  
RELIANCE WORKS,  
CARDIFF;To Messrs.....*Brown & Co., Ltd.*,.....  
.....*Birmingham*.....OLYMPIA WORKS,  
NEWPORT.Please supply the undermentioned goods, subject to  
the conditions printed on the back.

Description	Quantity	Price
<p><i>Standard Whitworth Brass Screws, with countersunk heads, <math>\frac{1}{4}</math> in. diam., <math>\frac{1}{2}</math> in. length</i></p> <p>Delivery.....<i>1st January</i>.....</p>	<i>10 gross</i>	<p><i>£1 16s. 8d. Less 20 per cent</i></p>

Per Pro. THE CAMBRIAN ENGINEERING CO., LTD.

.....*J. G. Jones*.....

This slip should be returned, and if  
the delivery asked for cannot be adhered  
to, please state the best delivery date.  
The space should not be left blank. ....19.....

To THE CAMBRIAN ENGINEERING CO., LTD.,  
CARDIFF.

Dear Sirs,

We are in receipt of your Order No. B 723, and will dispatch on,  
or before..... Price.....

(Signed) .....



of which is due on the same date. This file should be examined daily, and any outstanding orders followed up and an explanation of the delay obtained from the supplier. As an additional record, the original stores requisition may have printed on the back a form similar to the one given below. This is filled in with the supplier's name and other particulars, the requisitions being filed away in strict numerical order. Then, if the buying department receives a notice from the stores stating the goods ordered on a certain requisition have not yet been received, reference may be made to the requisition and full particulars obtained.

**EXAMPLE OF FORM PRINTED ON BACK OF STORES  
REQUISITION (see page 201)**

Indicating where the order has been placed, together with the  
number and date of the order.

<b>GOODS ORDERED AS FOLLOWS</b>			
Item No.	Ordered From	Order	
		No.	Date
1	<i>Brown &amp; Co., Ltd., Birmingham</i>	<i>B 723</i>	<i>24th Dec.</i>
2	<i>Engineering Supply Co., Cardiff</i>	<i>B 700</i>	<i>21st Dec.</i>
3			
4			

**Supervision of the Order.** Having placed the order, it is now necessary to see that the goods are delivered at the time promised. In this connection the use of a card index is a great advantage, since

to each card an indicator may be attached which serves to point out the date when the consignment may be expected. If a reminder is sent out, this may be indicated on the card. Should this be ignored, a further investigation is made as to whether the reason for non-delivery on the part of a supplier is valid. In some cases, stronger measures will have to be taken even to the extent of cancelling the contract.

**Arrival of the Goods.** On the arrival of goods, it must first of all be ascertained whether they have been ordered or not, and whether the correct quantities have been delivered. The consignor's name and the quantity may be ascertained from the consignment note. These particulars are entered into a Goods Received Book, and intimation is given of their receipt to the departments interested, such as the stores and buying departments. The invoice must be checked by the buying department in order to see that it agrees with the order given and also with the goods actually received. For this purpose it may be impressed with a stamp similar to the following—

QUANTITY CORRECT	}	.... W. S. ....
QUALITY CORRECT		.....
STORES REF.....95.....		.....
COMPARED WITH ORDER	}	....R.J. ....
PRICES CHECKED		.....
EXTENSIONS CHECKED.....		B. C. ....
PASSED FOR PAYMENT		....N. B....

The storekeeper checks the goods with regard to quantity and quality, and initials the note in the appropriate place, adding the stores reference. The order clerk then compares it with the official order and checks the prices. The extensions may be checked in the accounts department where the invoice is finally passed for payment.

**STORES ADMINISTRATION.** The goods, after arrival, must be stored away, although sometimes they may be sent directly into the workshops if they are too big for storage, or if they are required for immediate use. As a general rule, however, they are first deposited in the stores. In this connection, there may be either a centralized stores department, or each department may have its

own separate store. In the former case, all raw and partly-manufactured materials are deposited in one section of the factory, whereas in the second case, they are stored away in a number of separate store rooms, which may be spread all over the works.

Store centralization tends, in the first place, to uniformity of administration. The staff can be employed to greater advantage, and the stores accommodation utilized more economically. On the other hand, among the advantages of decentralized stores are the following—

1. Materials, such as iron ore, coke, and sand, may be brought into the immediate vicinity of the workshops using them.
2. They are easily controlled and supervised.
3. The employees possess a greater degree of specialized knowledge.
4. The keeping of the stock books is facilitated.

In the case of mass manufacture, a great variety of parts are produced for stock. Hence, it is necessary to have them quickly available for the purpose of assembling them. Such parts are stored in intermediate depots situated between the various workshops.

**Incoming Goods.** The goods are received either in the stores department itself, or in a special section of the factory which has been set aside for this purpose. Here, the goods are examined, accepted, and passed on to the storekeeper. The work of the receiving department can be materially assisted by a close co-operation with the buying department. As already pointed out, a copy of the order, with quantities omitted, is sent to the receiving clerk as an advice that the goods are to be expected. This copy may take the form of the example given on page 208. It is filed away, under its number, by the receiving clerk until the goods arrive. In some cases, the duplicate stores requisition, which remains in the possession of the storekeeper, may have a form printed on the back for recording full particulars of deliveries. This may be drawn up, as shown on page 209, so that when the duplicate copy of the order is received from the buying department, the supplier's name, the order number, and date of the order may be entered up against the item concerned. In this way, the storekeeper can be absolutely certain that every item on his requisition has received attention from the buying department.

Each consignment must be accompanied by certain vouchers

which contain the necessary particulars as to origin and destination. In this connection mention must be made, in the first place, of the *advice of dispatch*. When dispatching the goods, the supplier

**COPY OF OFFICIAL ORDER SENT TO STOREKEEPER AS  
ADVICE THAT GOODS ARE ORDERED**

**TO  
STOREKEEPER**

Order No. B 723

24th December, 19—

On arrival of the undermentioned goods, please enter quantities and weights, and return immediately to office, reporting any damage.

To Messrs.....*Brown & Co., Ltd.*,.....  
.....*Birmingham* .....

Received.....

	Description of Materials Ordered	Quantity and Weight	Remarks
	<i>Standard Whitworth Brass Screws, with countersunk heads, <math>\frac{1}{4}</math> in. diam., <math>\frac{1}{2}</math> in. length</i>	10 grs.	

Received above goods on

..... *Jan. 1st*, 19— ..... Signed..... *Henry Lewis*.....

Storekeeper.

# EXAMPLE OF STOREKEEPER'S RECORD OF GOODS RECEIVED

The form being printed on the reverse side of the duplicate copy of the Stores Requisition (see page 208), the entries having reference to the goods ordered.

## SUPPLIED AND RECEIVED AS FOLLOWS

(If after allowing a reasonable time for transit, Goods advised by suppliers as being dispatched are not received, the fact should be reported to the Commercial Department.)

Item No.	Supplier's Name	Our Order		Supplier's Advice		Received at Stores		Goods Received Book Folio	Remarks
		No.	Date	Date	Quantity	Date	Quantity		
1	Brown & Co., Ltd., Birmingham	B 723	24/12/19—	31/12/19—	10 grs.	1/1/19—	10 grs.	49	
2	Engineering Supply Co., Cardiff	B 700	21/12/19—	23/12/19—	12 grs.	23/12/19—	12 grs.	48	
3									
4									

NOTE. All goods must be carefully tallied and examined upon receipt, and any cases of loss or damage, and any discrepancies in weight, quantity, quality, size, etc., must be instantly reported to the Commercial Department.

draws up an advice of dispatch in which the necessary particulars of the goods can be given. In this way the storekeeper receives a notification beforehand of the arrival of the goods, and can then prepare for delivery. As a rule, this advice note is numbered, so that the storekeeper can enter this together with the date it bears on the back of his requisition in the appropriate place. Another voucher is the *consignment note* which is handed to the consignee by the railway. This contains particulars of the marks, numbers, and description of the goods together with the weight. As every consignment comes in, the receiving clerk refers to the number which should be marked on every bale or package, and can then trace the copy of the order on his file. He then proceeds to check the goods, and enters the quantities on the copy of the order which he signs, and then sends to the buying department as a notification that the goods have arrived. He may also enter particulars into the Stores Requisition Book. A periodical examination of this book under this system will quickly reveal any outstanding orders, or any orders which have been advised by the supplier but which have not been received.

Another voucher which should be mentioned is the *packing list*, especially in the case of goods which are charged up at a certain rate per piece, and which are packed or sent in large quantities. These packing lists contain particulars of the number and nature of the articles, the order number of the customer and the supplier's reference, and the initials of the packer. Incoming consignments are often entered into a Goods Received Book in chronological order.

**Issue of Materials.** When once material has been received in the stores, it should not be issued without authority in writing. In this connection, special requisition books are employed containing the necessary forms in duplicate and consecutively numbered. One copy is retained in the book for reference, while the other, signed by the foreman of the department, is sent to the storekeeper as a request for the goods. After the material has been issued, the voucher is initialed by the storekeeper and passed to the stores ledger clerk in order that he may compile the records of the movements of stock.

**Returns.** If the material taken out of stock should be found to be in excess of the requirements of the job, the workman returns the surplus together with a Material Returned Voucher. Materials

returned in this way should be recorded in the accounts in the same manner as new materials.

**WAGES DEPARTMENT.** The chief function of the wages department is the ascertainment of the wages to be paid to the workers on the basis of the particulars of time or piece rates supplied by the workshops. In addition to this, it may also have to perform certain minor tasks, such as—

(a) Engagement and dismissal of workmen.

(b) The observation of the provisions of the Unemployment and Health Insurance Acts.

(c) The observation of the Factories Acts.

(d) The preparation of income tax returns for the Inland Revenue Department.

Another duty which devolves upon this department is the writing out of the workmen's wages vouchers by the wages clerk—a task which is closely connected with the payment of the wages and the preparation of the money due.

**Organization.** As a general rule, a single wages department is established for the whole of a business, but where the concern comprises several separate units, a separate department may be set up for each. When a workman is engaged, he must first of all produce his insurance cards, whereupon he is entered upon the works employment register, which gives particulars as to his name, address, character, and the place at which he was last employed. The worker is then handed a copy of the factory regulations, and is also made acquainted with the time-keeping system.

The control of the worker's time is considered from a twofold aspect—his punctuality, and the distribution of his time. The timekeeping section compiles records of the amount of time spent by the worker in the factory. Various methods are in use for ascertaining this, but the most effective is the introduction of some form of mechanical clock register. With regard to the allocation of the time worked, the employee is usually required to make out daily a time sheet, which is signed by his foreman and passed to the costing department. The total time recorded on this sheet must agree with that recorded by the clock.

**Payment of Wages.** After the wages have been calculated, they are recorded in the Wages Book. In the calculation of the wages, it is an advantage to make use of mechanical means. Formerly, wages

No.	Storekeeper,
-----	--------------

Date.....30th March, 19.....

Please give Bearer—

For Stores use only.

[illegible]

Job for..... at..... Dept.

Signed.....



ready reckoners were used in which the products of the number of hours and wage rate per hour could be found, but at the present day machines are employed to an ever-increasing extent. In large undertakings, the further treatment of the wages figures for statistical purposes is carried out with the assistance of such devices as the Hollerith Accounting Machine.

In the payment of salaries, a list must be drawn up, which is arranged according to the various departments. Where the salaries have to be spread over several departments, as for instance, in the case of the works engineers, the foremen, and the staff of the works office, these should be allocated on the basis of the time spent on each, or in some other equitable manner.

**SALES DEPARTMENT.** Selling is one of the most important activities of a manufacturing business, and there is a substratum of truth in the saying that, "to sell a machine is more difficult than to build one." An increased turnover creates more work and improved conditions of life for the workers. The greatest possible speed and regularity of sale also exert a far-reaching influence upon the cost of production. Hence, every manufacturing undertaking employs all the means in its power to capture the market.

The aim of the manufacturing side of the organization is the re-arrangement of pre-existing matter in such a way that it becomes capable of satisfying human wants—in other words, it creates what might be termed "form" utility. The marketing side of the organization seeks out the consumer and provides him with goods when and where he requires them—in other words, it creates utilities of "time" and "place." Yet, while every effort has been concentrated on improving the methods of manufacture, the processes of distribution have received relatively little attention. From the economic standpoint, the aim of marketing should be to place the goods in the hands of the consumer with the lowest possible margin of increased cost between the original producer and the ultimate consumer, consistent with satisfactory service.

The sales department of a manufacturing business is responsible for the following functions—

(a) The creation of an interest in and a demand for the product of the factory.

(b) Securing by every means at its command, actual orders for goods.

(c) Conducting the internal organization of the distributing side of the business.

The department must determine the various avenues for the sale of its goods, and must select the most advantageous. The channels of distribution have already been dealt with, and the policy followed in any given case will depend upon the nature of the goods. In some cases, it has been found that, the more direct is the channel from producer to consumer, the lower will be the selling expense, while, in other cases, quite the reverse has proved true.

#### TEST PAPER XIV

1. "To evolve a standardized type of organization which will be suited to every set of circumstances is an utter impossibility." How do you account for this?

2. What do you mean by organization? How do you account for the diverse forms of organization in the same industry?

3. What is meant by the term "capital" as employed in a manufacturer's business? Draw up a *pro forma* balance sheet of a manufacturer, and indicate the various kinds of capital engaged in the business.

4. Describe the components that go to make up the cost of the finished article from direct expenses to selling price.

5. A manufacturer purchased a 4,000 lb. lot of materials (barytes, arsenic, and water) for the purpose of making paint for £155. Direct wages were £6; indirect wages, £1; establishment charges, £2 10s.; the evaporation of the water and some of the chemicals reduces the 4,000 lb. by 498 lb. What is the cost per lb. of the finished product to the manufacturer?

6. Define and illustrate the term "overhead charges," and explain how you would distribute such charges over the various branches of manufacture.

7. What are the chief characteristics of a sound system of business organization?

8. What are the main divisions of the organization of a manufacturing concern? In what manner are their function co-ordinated? Make a list of the various types of employees on the commercial side of a well-equipped manufacturing business and describe briefly the daily work of any one of them.

9. Using for purpose of illustration some manufacturing industry with which you are familiar, explain the business machinery that has been developed for the purchase of the raw materials it uses and the machinery of sale of the goods it manufactures.

10. Trace the procedure that would be gone through from the receipt of an inquiry by a manufacturer to the fulfilment of the order.

11. Discuss the advantages of paying wages at rates varying with the amount of work done.

12. Distinguish between industrial and commercial organization and consider their mutual relations.

13. A manufacturer quotes a trade discount from his catalogue prices, and also offers a cash discount. Point out the reasons for, and the advantages of, this method of quotation.

14. What is meant by the term oncost? Explain how you would deal with this in preparing accounts showing the cost of production of manufactured articles.

15. A toffee manufacturer makes up his proprietary product in two tins weighing 12 oz. and 8 oz. respectively. He contemplates introducing a 4 oz. tin. Given the following particulars, advise him concerning the retail price he ought to fix for the new tin—

Weight of Tin.	Retail Price.	Manufacturer's Wholesale Price (per Case of 36 Tins).	Sales (Thousands of Cases)		
			1925	1926	1927
8 oz.	1s. od.	26s.	163	167	181
12 oz.	1s. 3d.	32s.	54	51	42

16. "Most of the cost systems in use . . . have been devised by accountants for the benefit of financiers, whose aim has been to criticize the factory and to make it responsible for all the shortcomings of the business." Discuss this statement, giving your opinion on the methods generally employed for estimating the cost per article or per unit of manufactured product.

## CHAPTER XV

### THE IMPORT TRADE

EVERY merchant or manufacturer who buys goods from abroad, or who sends them from this country, is said to be engaged in the foreign trade. The trader who purchases goods abroad and imports them into this country is described as an importer, whilst the person who sells and dispatches goods to foreign countries is described as an exporter. Undertakings trading in this manner may, of course, carry on a home trade at the same time, but there are many trading concerns devoted exclusively to the development of foreign trade.

**CHARACTERISTICS OF THE IMPORT TRADE.** The home manufacturer may endeavour to procure his raw materials direct from abroad, or the home wholesale dealer may enter into direct relations with the foreign grower or dealer. Furthermore, retailers or associations of retailers may satisfy their requirements in a similar manner. This method of direct importation, however, is beset with many difficulties, one of the most important being the lack of knowledge of foreign markets and of their products. The direct acquisition of products from abroad postulates a thorough knowledge of the article in question, a lengthy experience in the trade, and a continuous observation of all the circumstances. In the same way, the direct export of home manufactures to foreign countries involves the elimination of the exporter. Such direct export is carried on by large-scale manufacturers and smaller concerns which have combined themselves into selling associations. The proprietors of small undertakings, however, continue to depend upon the exporter for the sale of their goods abroad, for the maintenance of a selling organization would tend to absorb too much capital. The ascertainment of the customer's requirements in the foreign country demands too much time and trouble for the manufacturer, and thus takes away his attention from his chief task—namely, the supervision of the processes of manufacture. Those undertakings which devote themselves specially to the conduct of foreign trade confine themselves to a certain article or group of articles, or else they devote themselves to the export with certain countries, and, in that case, deal with anything that may be wanted. The import trade is organized, in

the main, on a commodity basis. For the most part, the importers are specialists in a certain class of commodities which they endeavour to import from every available source. On the other hand, the export trade is organized either on the basis of selling areas, or according to certain lines of trade. In the former case, the exporter endeavours to find out the possibilities of sale in the foreign region with the idea of supplying all sorts of products; in the latter case, he endeavours to find as large a market as possible for his particular line. Both import and export business may be combined in the same undertaking, but this method is no longer adopted to the same extent as was the case in the early beginnings of British foreign trade. Occasionally opportunities still arise where the two forms of trade may be combined, especially where trade is concentrated upon a definite area. Such a trade is more likely to arise out of the export trade, since the importer who specializes in a certain class of commodities does not possess the same facilities for becoming an exporter in any class of goods.

**ORGANIZATION OF THE IMPORT TRADE.** The importer may conclude his transactions on his own account, i.e. he himself is the buyer of the imported raw materials and resells them for his own account. In addition to the risk of transport, the importer thus bears the full risk of sale. This he is well able to do because of his minute knowledge of the goods, his close relations with the exporting countries, and his connections with the most suitable agencies. He usually disposes of his goods "ex warehouse," or may endeavour to find customers whilst the goods are still afloat. If an importer is afraid of undertaking the risk of sale, he may operate as a *commission agent* for the account of another party, i.e. either as a buying or a selling agent.

An importer may also do business with a foreign exporter in such a way that he carries through an import transaction or series of transactions on *joint account* with the exporter. In this case, the goods are purchased in the locality of the exporter, and are directed to the importer who now conducts the sale. This is known as a joint venture, in which both participants share the work, the risk, and the results. Each party acts as a merchant trading on his own account or commission agent for a third party. Such a transaction does not involve any outward legal relationship.

As an example of the organization of the import trade, let us

consider the case of the importation of fruit from Spain. The Spanish merchant obtains the fruit from the growers and transfers it in bulk to his own warehouse. Fruit which is required for export is, as a rule, graded, but not necessarily by the producer himself. The export trade of the Continental countries is in the hands of wholesalers, or agents, who realize the value of grading and of secure and attractive packing. In packing houses in Holland, Belgium and France, much trouble is spent in preparing fruit of high quality for the English market. Hence, when the wholesaler receives the fruit in his warehouse, the oranges are graded, wrapped separately in papers, and packed in cases. The oranges are selected according to size and, the boxes for each grade being approximately the same size, the fruit is packed 240 oranges to the case where they are large, and in the case of smaller sizes, 300, 360, or 504 oranges to a box.

The first step taken by the Spanish exporter is to notify the English importer of the consignment of the goods, this being usually done by telegram as follows—

#### TELEGRAM

FROM..... *Antonio Pedrez, Valencia*.....

To..... *Bagshaw and Gibaud, Cardiff*.....

*9,000 cases Oranges per "Anna" direct Cardiff,  
Thursday.*

This telegram is then confirmed by letter on the part of the exporter, and acknowledged on the lines, as shown on page 219, by the importer.

Having done this, the importer will next receive the bill of lading from the exporter, Mr. Antonio Pedrez, this document taking the form shown in the inset between pages 222 and 223. Upon receipt of this, the importer sends a letter on the lines, as shown on page 219, to the insurance broker. The insurance policy is then drawn up and forwarded to the insurer. The broker will receive, probably from a trade association, a list giving the weekly sailings of all

## ACKNOWLEDGMENT OF RECEIPT OF TELEGRAM

Telegrams: "PREMIER, CARDIFF"

Telephone: 2792 (2 lines)

**BAGSHAW & GIBAUD**  
Fruit Brokers, Commission Agents  
**NEW STREET, CARDIFF**

NB/OHD.

4th January, 19—

Mr. Antonio Pedrez,  
Valencia.

Dear Sir,

We are in receipt of your esteemed favour of the 12th inst., informing us of the shipment from you of 9,000 cases of Valencia oranges, per S.S. "Anna," for which we thank you. This consignment shall receive our best attention on arrival, and we will notify you later with regard to the date on which these goods will be offered for sale.

Yours faithfully,

Bagshaw &amp; Gibaud.

## INSTRUCTIONS TO INSURE

Telegrams: "PREMIER, CARDIFF"

Telephone: 2792 (2 lines)

**BAGSHAW & GIBAUD**  
Fruit Brokers, Commission Agents  
**NEW STREET, CARDIFF**

NB/OHD

6th January, 19—

Messrs. F. H. Week & Co.,  
West Bute Street,  
Cardiff.

Dear Sirs,

We shall be glad if you will kindly insure for us 9,000 cases of oranges shipped per S.S. "Anna" to Cardiff, at 10s. per case.

Yours faithfully,

Bagshaw &amp; Gibaud.

## ADVISING THE ARRIVAL OF CARGO

Telegrams: "PREMIER, CARDIFF"

Telephone: 2792 (2 lines)

**BAGSHAW & GIBAUD**  
Fruit Brokers, Commission Agents  
NEW STREET, CARDIFF

NB/OHD.

7th January, 19—

The Great Western Railway

Docks,  
Cardiff.

Dear Sirs,

We shall be glad if you will accept 9,000 cases of oranges which will be arriving at B Warehouse, King's Dock, on Monday next, and warehouse them for our account.

Yours faithfully,

Bagshaw and Gibaud.



INSTRUCTIONS TO SHIPPING AGENT

Telegrams: "PREMIER, CARDIFF"

Telephone: 2792 (2 lines)

**BAGSHAW & GIBAUD**  
Fruit Brokers, Commission Agents  
**NEW STREET, CARDIFF**

NB/OHD.

7th January, 19—

Messrs. Jones & Sons,  
Mount Stuart Square,  
Cardiff.

Dear Sirs,

We beg to advise you that we are expecting a consignment of 9,000 cases of Valencia Oranges per the S.S. "Anna," which we understand is due to dock in Cardiff on Monday next. We enclose herewith Bill of Lading, together with cheque valued £150 on account of the estimated amount of freight.

Yours faithfully,

Bagshaw and Gibaud.

steamers, and upon receipt of this, advice of the arrival of the cargo may be given to the Dock Company on the lines of the example given on page 220. Alternatively, the broker may obtain news of the vessel's movements from the "Shipping Intelligence" columns of the daily paper, or by ringing up the shipowners or their agents to ascertain when the ship is due to arrive. The broker also writes to the shipping agent, as shown on page 221.

**CUSTOMS FORMALITIES.** The customs service of Great Britain and Northern Ireland may be said to be divided into two sections, namely—

(a) The Waterguard (or Preventive) Branch.

(b) The Landing, Shipping, and Warehousing Branch.

The primary duty of the first of these branches is the detection and prevention of unauthorized landings of uncustomed or prohibited goods by crews and passengers. The officers take account of the arrivals and sailings of vessels; meet and board vessels; take any necessary steps for the safety of the public health under the Acts relating to public health; deal with the dutiable stores of the crew and vessel, securing any excessive quantities under seal; and examine the personal effects of the crew and the baggage of passengers.

Every ship from overseas, including fishing vessels, upon entering a British port is required to hoist her colours by day or a white light by night, on reaching the boarding station. Here she is visited by an officer of the Customs Waterguard Service, both in the interests of public health and of the customs revenue. This official at once makes certain inquiries concerning the health of the crew and of any other persons on board the vessel. Providing that the answers received are satisfactory, and the Boarding Officer has no reason to suppose that the ship is an infected or suspected ship, or has come from or called at any infected port, he issues what is called a *Certificate of Pratique*, allowing the ship to proceed.

The work of the Landing, Shipping, and Warehouse branch of the customs service may be summarized thus—

**Landing Work.** The duty of the officers in this connection is the control and examination of all imported goods. They must satisfy themselves that all goods borne on the report made by the master of the importing ship are satisfactorily accounted for, and that all goods landed are duly "entered" in the appropriate form by the importer.





**Work in Bonded Premises.** At bonded warehouses, the officers keep accounts of all goods received and delivered, supervise and control operations on the goods while in bond, and see that the full duty has been paid before any goods are delivered for home consumption.

**Export Work.** The officers examine goods from bonded premises presented for shipment, and goods presented for exportation on *drawback*. They also carry out the various regulations in regard to the exportation of particular kinds of goods.

**Indoor Branch.** The officers in this branch deal with the receipt and payment of money, and perform all the clerical work. They receive and register the reports made by masters of incoming vessels, and issue clearance documents to masters of vessels departing.

Within twenty-four hours of arrival, and before any cargo is landed, the master of every vessel is required to make due report of the ship. When the report has been made out, the master must deliver it in duplicate, together with the Certificate of Pratique, at the Custom House of the port, and there sign and declare it. The chief points to be noted in connection with the ship's report are—

(a) It must be made out on the prescribed form.

(b) Particulars are to be furnished as follows: Name of ship, port of registry, nationality, master, port from which vessel has sailed, number of crew, and number and nationality of passengers.

(c) A detailed statement of all cargo to be landed, and each consignment should be reported separately, the marks and numbers borne on the various packages being shown.

(d) Goods intended for transshipment in the port should be entered in the report as "In Transit," and should be specifically described.

(e) Particulars of ships' dutiable stores remaining on board should be given.

(f) When a ship from abroad discharges portions of her cargo at successive ports in Great Britain and Northern Ireland, a full report of the cargo to be landed must be made at each port, the cargo remaining on board for other ports being described as: "General cargo of dutiable and free goods" (as the case may be), "to remain on board for . . . ." A "travelling" copy of this report must be lodged at the first port for forwarding by the Customs from port to port as an advice of the coming of the vessel.

This report is registered and numbered at the Custom House in a book which is open to inspection by the public. This registered



number with a prefix which denotes the year, thus 29/876, is known as the rotation number, and constitutes a means of referring to all goods received from the vessel. This number is used, not only by the Customs authorities, but also by other parties handling the goods. Thus, it may appear in the sale catalogues and in the importers' books of record.

The general account of the cargo furnished by the ship's report must be amplified by special declarations or "entries" made by the importer of each consignment of goods. This entry may be made either by the importer or his agent and, when duly passed, it constitutes the warrant for the landing and delivery, or warehousing, as the case may be, of the goods that make up the cargo. The term "importer" in this connection means any owner or other person for the time being possessed of, or beneficially interested in, any goods at and from the time of their importation until they have passed the Customs. In every case, the following particulars have to be inserted on the form of entry—

(a) Port of arrival.

(b) The "station," i.e. the dock or wharf at which the vessel is unloading.

(c) The name of the vessel carrying the goods, and the date of her report at the Custom House.

(d) The port from which the vessel has arrived.

(e) A full description of the goods, their net weight, their c.i.f. value, or, when sent on consignment, the latest sale value.

(f) Goods must be described on the entries in accordance with the import headings of the official Import and Export List, and also under their trade names.

The production of invoices, bills of lading, or other documents relating to any entered goods may be demanded by the Customs from the importer or his agent at the time of entry, or at any time within twelve months after delivery of the entry.

Goods arriving in this country are either "free" goods, i.e. goods not subject to import duty, or dutiable goods.

**Free Goods.** A specimen form of entry for free goods is given on page 224. As a general rule these entries must be delivered in duplicate, but in London three copies of a free entry are needed. When completed, the forms are taken to the Custom House, and if correctly made out, one copy is returned initialed and stamped by

the Customs Officer. Of the remaining copies, one is retained for statistical purposes, and the other forwarded to the place where the goods are lying for the purpose of checking the details with the goods. If, upon examination, the goods agree with the particulars

### INSTRUCTIONS TO RELEASE GOODS

To the Superintendent,  
King's Dock,  
CARDIFF.

Please release the goods mentioned herein: all charges to consignee's account. Subject to safe arrival, and provided the ship is not under average.

Jones and Sons.

## GREAT WESTERN RAILWAY CARDIFF DOCKS

Telegrams:  
"DOCK MANAGER,"  
CARDIFF

Telephone:  
CARDIFF 6360

AB/CD.  
Messrs. Bagshaw & Gibaud,  
New Street,  
Cardiff.

10th January, 19—

Dear Sirs,

Below are the particulars of the out-turn of your goods ex S.S. "Anna," discharged at B Warehouse, King's Dock, at owner's risk, and contents unexamined—9,000 cases Valencia oranges.

Yours faithfully,

Great Western Railway,  
A. B.



given on the entry, and the officer is satisfied that the goods are not dutiable, they are "cleared," and are then ready for delivery so far as the Customs authorities are concerned.

**Dutiable Goods.** Goods intended to be warehoused must be entered on a warehousing entry, and goods intended to be delivered out of charge forthwith on payment of duty must be entered on an entry, known as a *Prime Entry*, for home use ex ship. The entry must be in duplicate, except in the case of playing cards and goods to be removed from the port of landing to another place for warehousing, in which cases the entry must be in triplicate and made on a special form.

In the case of the importation of the consignment of fruit, the "free entry" is completed by the importer, as shown on page 224, and, on the completion of the vessel's discharge, the Dock Company notifies the broker in a letter on the lines of the example. The broker has then to settle the balance of the account of the shipping agents for freight, and a release note is sent direct to the Dock Company requesting them to release the number of cases on which freight has been paid. The release note is an acknowledgment on the part of the shipowner that his claims on the goods are satisfied and that, as far as he is concerned, the consignee may have delivery. The precise form of this release varies, and in its simplest form it may be given by a note impressed on the back of the bill of lading by means of a rubber stamp, the wording being something after the style of that shown on page 226.

In many cases, however, the bill of lading will be retained by the shipping agents, and a special Freight Release Note is issued. Here, the ship's clerk or dock warehouse-keeper is authorized to deliver the goods "without production of the bill of lading." An example of this document is given on page 228.

**DISPOSAL OF THE PRODUCE.** After these formalities have been completed, the broker sends his representative down to the warehouse to examine and report on the goods. In the case of the fruit trade, the fruit, upon arrival at the docks, is classified for condition, size, grade, brand, etc., and catalogues are prepared for the auction sale. At most auctions, specimen packages drawn from each lot are exposed in the showroom. Here, intending buyers may examine the lots, note essential particulars on their catalogues, and then adjourn to the saleroom. At Liverpool and Manchester such showrooms are not provided, but buyers may inspect the bulk of

## SPECIMEN FREIGHT RELEASE NOTE

## FREIGHT RELEASE

C \_\_\_\_\_

Mount Stuart Square,

Please give this reference  
on your account.

Cardiff.

..... 11th January, 19—.....

To THE SUPERINTENDENT

..... *B Warehouse, King's Dock, Cardiff* .....

Please deliver the undermentioned goods landed ex

S.S. .... "*Anna*" ..... to .... *Messrs. Bagshaw & Gibaud* ....Charges to ..... *Goods* .....*B/L is lodged with us* .....

Marks	Goods
XXX	9,000 Cases Valencia Oranges
NO SALE OR TRANSFER	For Jones and Sons (Signed) ..... <i>Robert Jones</i> .....

the goods at the docks, and any package may be opened for examination. In many cases, a specimen package of each lot offered for sale is placed in front of the rostrum as the sale proceeds, and removed as soon as the lot is cleared or withdrawn. Although these specimen packages are accurate samples of the bulk, the Conditions of Sale usually state that—

It is necessary that intending buyers should inspect the bulks of parcels of goods offered, as the goods will be delivered from warehouses, docks, and wharves with all faults and defects, and no allowance will be made for any errors of description or defects in quality, quantity, or condition. Packages that may be on show on or before the auction are not intended to be taken as samples of the bulk.

In some auctions, large parcels of goods are listed as a single lot, and divided to suit buyers as the sale proceeds. Small parcels which consist of a few, and sometimes of single packages, are grouped together to form substantial lots. At port auctions, the usual procedure is for the auctioneer to start with a high price which is reduced by degrees until a figure is reached at which the bidding begins. If, however, the auctioneer considers that the prices offered are below the real value of the goods, the lots are withdrawn in accordance with the Conditions of Sale which provide that—

The auctioneer reserves the right of accepting or refusing the bid of any person, and of withdrawing any lot at any time. Also the right of giving any purchaser the option of taking an entire parcel or any portion thereof.

After the completion of the sale, a second catalogue is issued giving the prices obtained. This constitutes a kind of market report, and a copy has to be sent to Antonio Pedrez, showing him exactly what prices were obtained for the fruit. An example of this catalogue is given on pages 230 and 231. A delivery order, as shown on page 232, is made out in duplicate to the buyer immediately on completion of the sale. This is presented at the docks, and possession is taken of the goods. In order that he may take possession without undue delay, the following clause is inserted in the Conditions of Sale—

The buyer is liable for rent on all goods sold in warehouse, wharves, or docks after the expiration of fourteen days from date of sale, and the same may be claimed before delivery at the fair and proportionate rate per package per week, or any portion of the week, unless some other special condition is specified in the catalogue of sale.

Telephone: Cardiff, 111

Telegraphic Address:  
"BAGAUD, CARDIFF"

**SOLD BY AUCTION**

BY

---

**BAGSHAW & GIBAUD**

---

AT

**NEW STREET, CARDIFF**

*FRIDAY, MAY 18th, 19..*

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The following Goods, viz. :—

4786 boxes Murcia (Blood, &c.) Oranges  
4214 bxs. Denia & Valencia (Blood, &c.) Oranges  
246 boxes Californian (Sunkist) Grape Fruit  
87 boxes Florida Grape Fruit  
990 boxes Fine Argentine (Almeria) Grapes  
1011 boxes South Australian Apples  
1641 boxes Tasmanian Apples  
724 boxes Palermo & Messina Lemons  
96 boxes Murcia Lemons  
565 bags Egyptian Onions

EX UGO BASSI, MORETON BAY, AND ANNA.

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All Goods sold subject to Delivery.

BAGSHAW &amp; GIBAUD, LTD.

18th May

**PALERMO AND MESSINA LEMONS, *ex Ugo***  
*Bassi—con.*

Import Mark or Brand.		Lot	L	LL	>L	>L	>L	boxes
ATO. FICIANO & CO. Paradise Fruit Verdelli	300	164			20	1(2)	21	5/
" "	360	165			12	3(2)	15	"
" "	420	167	1			P/L	1	6/
MARCO RAFFA *ex fine	300	168	10			(1 o/s)	9	12/6
		169		10	4		14	11/
" "	360	170	13	6		(1 o/s)	18	10/
		171	(1 504)		4	1	5	8/
" <sup>R</sup> Lion	300	172		11		(2 o/s)	9	6/3
		173			24		24	5/
		174				12	6	18 4/
" "	360	175		2	1	(1)	3	5/6
MARIO FARACI & CO. <sup>👑</sup> A	300	176	(1 360)	5	2	(1)	7	7/9
S. DOMINICI <sup>👑</sup> A Prima Ricioppi	300	177		2	2	(1)	4	5/6
" "	360	178		13	12	(1 o/s)	24	5/
" "	504	179	11			(1 o/s)	10	6/6
		180		9	1		10	5/6
		182		Total on shew			14	7/
BELLA STEFANO Angel Carrine	150	183	12			(1)	12	<sup>1</sup> / <sub>2</sub> -boxes
Primissima Verdelli		184		2	1		3	
" Ricioppi	150	185	4	2		(1)	6	
MARIO FARACI & CO. <sup>👑</sup> Verdelli	150	186	1	1	1	(1)	3	5/
B. LOMBARDO & CO. Prince of Wales Primissima	300	187	6	1	exlrg	(1)	7	cases 16/

# SPECIMEN DELIVERY ORDER

To the

GREAT WESTERN RAILWAY Co. .... B. .... Warehouse, ..... *King's Dock* .....

Deliver to.....*Messrs. Jones & Sons*..... Ex s/s..... *Anna*.....

Forward to..... Per .....

LOT No.	BRAND OR MARK	No.	Packages	DESCRIPTION	Size
10	XXX	250	<i>cases</i>	<i>oranges</i>	—

Unless Removed within THREE DAYS, Goods to be transferred to Buyer's Account.

GOODS NOT INSURED.

.....*Bagshaw & Gibaud*.....

CARDIFF, .....*16th Aug.*.....19—. Per.....

# ACCOUNT SALES

Telephone Nos.: CARDIFF III.

Telegrams: "BAGAUD, CARDIFF."

Account Sales of.....9,000 cases *Oranges*.....Ex....."Anna".....  
Sold per.....*Bagshaw & Gibaud*.....by order and for Account of—.....  
.....*Mr. Antonio Pedrez, Valencia*.....

19—	Marks	I	II	III	X	XX	Total	@	£	s.	d.
<i>August 16</i>	XXX						9,000	10/-			
									450	—	—

## CHARGES

Freight.....£180.....Tax.....—.....Dues.....—.....  
Our charges for Receiving, Selecting, Warehousing, Delivering,  
Catalogues, Advertising and Sale Expenses, etc., including Dis-  
bursements.....22.....—.....  
Rent.....—.....Fire Insurance.....—.....  
Brokerage and Guarantee @.....7 per cent.....—.....

Net Proceeds

CARDIFF.....*Aug. 21st*.....19—.....  
**BAGSHAW & GIBAUD.**

PER.....M. L.....

Fire and Marine Insurance  
is only effected at Shipper's  
Request.

E. & O.

E.

The broker makes out an invoice from the copy of the delivery order, and this is posted to the purchaser. Next, an Account Sales, a copy of which is shown on page 233, has to be sent to the Spanish merchant, together with a cheque in settlement. The broker has now to settle the warehousing charges with the Dock Company, thus completing the transaction.

**IMPORTATION OF WOOL.** As a further example of the procedure in dealing with the sale of imported merchandise, let us briefly consider the case of wool. London has long been the world's principal market for raw wool, especially for the better grades, yet the outstanding importance of the London auction sales have steadily declined for many years, and this tendency has been accentuated since the war. This decline is due in part to the direct shipment of wool into ports such as Hull and Liverpool near the consuming centres, and in part to the tendency of foreign consumers to buy direct from the country of production.

Wool is much more variable and less capable of precise grading than cotton. In the absence of exact classification, purchase by description is impracticable, and actual inspection of wool before purchase is usually necessary. At the London Wool Exchange, the bulk of the supply comes from overseas, but the method of selling is similar both for overseas and home wool. The wool is stored in large warehouses in the docks area. Samples are, in the first place, drawn by the warehouse-keeper, but are checked by the broker and carefully valued. The consignment is then lotted according to qualities and in convenient quantities. Small lots (three bales and under) are sold in the Star Saleroom, Coleman St., and the remainder in the main auction. The broker is responsible for advertising and for the arrangement and distribution of catalogues, though he will naturally try to meet the wishes of the seller or his agent in the choice of a selling date.

All wool offered is valued at "apparent market prices" before the sale, and will be sold at that valuation or to the highest bidder, unless the seller has expressly fixed a limit. Bidding is by farthings up to fifteen pence, afterwards by half-pence; the lots are sold or withdrawn very rapidly, the buyer's name and the price being declared after each sale. Before the sale, the buyers themselves carefully examine at the warehouse the wool offered.

The following *pro forma* account sales shows the charges to be



# ACCOUNT SALES OF 100 BALES WOOL EX LAND CARRIAGE SOLD BY AUCTION AT THE WOOL EXCHANGE, 15th OCTOBER, 19—

Lot	Mark	Bales	Tare	Gross Weight	Tan and Draft	Net Weight	Net	at	£	s.	d.
1	N/M	34	8	Cwt. qr. lb. 108 2 0	Cwt. qr. lb. (Actual Draft 1 lb. per cwt.) 3 1 17	Cwt. qr. lb. 105 0 11	lb. 11,721	18	882	16	6
2		33		105 1 8	3 1 5	102 0 3	11,427	18	857	0	6
3		33		105 2 3	3 1 6	102 0 25	11,449	18	858	13	6
		100					34,617		2,598	10	6
								12		6	0
									£		
									2,598	16	6
									30	7	4
									£		
									2,568	9	2

Samples drawn from 6 representative bales at London Docks .  
(1 lb. sample drawn from each bale  $\frac{1}{3}$ rd average value allowed.)

## CHARGES

Brokerage 1 per cent on 100 bales	£	s.	d.
Sale Expenses " " at 6d.	25	19	9
Fire Insurance on 6 representative bales	2	10	0
Warehouse Charges on 6 representative bales	1	16	1

6 at 6s. 6d., less  
7½ per cent.

Net Cash in 14 days . . . . .

met in the sale of 100 bales of wool in London, when only 6 bales are actually shown for inspection, the remainder of the consignment being left at the seller's warehouse—

The importance of these sales gives those responsible for their conduct wider duties than that of merely selling; of these the preparation of the selling calendar is, perhaps, the most difficult. London with its quasi-monopolistic position, has not the difficulties the central markets in Australia have which are long distances apart. But it has difficulties of an allied nature. For instance, it is argued that Tuesday may be a bad day on which to finish a series of sales, and London fogs (which make wool valuations impossible) may upset the best programme. But, apart from dates, brokers must also decide the quantities of wool which are to be offered, and their policy must balance as equitably as possible the somewhat opposed interests of growers, buyers, and financing houses.

The growers, especially on a rising market, are usually anxious to dispose of their wool at once, but the buyers, as a whole, so long as they know that eventually the wool will be offered, usually prefer to spread their purchases over a period. Moreover, the banks may not care to finance extensive holding by growers; the growers certainly have difficulty, especially in the larger wool-exporting countries, in arranging adequate facilities for the export of large parts of the clip in a short period. Selling brokers may, in consequence, find a greater pressure from sellers for immediate liquidation of supplies than from buyers. On the other hand, the limitation of public offerings would not be a control of the market, as private dealings can always make up small deficiencies in supply. It will usually, therefore, be more dangerous to force too much wool on to the market than too little. Moreover, a reduction in the selling programme during the season, although it may be in everyone's interest, disturbs the market and makes buyers hesitate.

The difficulties of regulating central markets are considerably increased under present circumstances by the lack of information about supplies. Brokers have neither accurate knowledge of "invisible" supplies nor of the rate of consumption, and have only an estimate of "visible" supplies to guide them. It should, perhaps, be added that regulation of the sales calendar does not aim at the stabilization of prices. The broker stands between two parties who might conceivably desire stabilization, but who would never agree

upon the level on which stabilization should be effected even if it were possible. A central market may control supplies offered at its own public auctions, but it cannot control either supplies or prices as a whole.

The London wool market is still the most important auction market in the trade in this country, though, judged merely by turnover, its importance as a world market appears to have declined during recent years. This is due to the development of auctions nearer the centres of production in Australia and New Zealand, which has led to a decline in dealings in London and in other important markets such as Antwerp. But the importance of the London market as a barometer of wool prices is undiminished. Nor need London fear comparison with the market facilities offered elsewhere. Moreover, the absence of formal organization and constitution which contrast the London "Wool Exchange" so strongly with the organized exchanges in other commodities of comparable importance is not peculiar to London, but appears to be typical of the wool centres in other countries.

#### TEST PAPER XV

1. Why do consumers in this country obtain their supplies through importers instead of obtaining them directly from the primary producers in the foreign country?

2. Describe the organization of the import trade and distinguish between the various types of firms engaged in it. What formalities have to be complied with before an importer can take possession of goods that have been sent to him from abroad.

3. An importer of foreign goods has to "declare the consignments he receives." What is meant by "declaring" goods and how is it done?

4. You are notified of the arrival in port of a consignment consisting partly of dutiable goods. Describe the procedure you would follow to have it landed and warehoused immediately, and the documents you would handle in the course of the work.

5. How does the Government obtain records of all goods entering this country? Describe the method whereby the duty payable is collected.

6. Distinguish between "specific" and "ad valorem" duties. If goods which had paid customs' duty on entering this country are subsequently exported, can the trader recover the duty paid? If so, state the procedure.

7. What is a documentary bill? Sometimes goods are imported under bills which are D/A or D/P. Describe the procedure from the time that the documents arrive in this country up to the point of the consignee taking possession of the goods.

8. What is the difference between Excise Duty and Customs Duty? Mention a few articles on which such duties are charged.

9. Examine the purposes served by bonded warehouses, (a) from the point of view of the Government, (b) from the point of view of a merchant importing dutiable goods.

10. In the import trade it is usual for importers to instruct brokers to dispose of their goods. What are the advantages of this arrangement to the importer.

11. Make out an account sales for 300 cases of raisins ex ss. *Cedar*, from Smyrna, sold by Philipps & Co., London, on account of Spanole & Co., Smyrna. The weights are—

Cwt.	Qr.	Lb.	
73	3	7	gross
7	1	10	tare
2	18	—	draft

Sold at 7½d. per lb.; duty, £25 12s. 6d.; dock dues, £1 2s. 6d.; landing charges and warehousing, £3 10s. 6d.; rent and insurance, £2 os. 6d.; brokerage, 1 per cent; commission and del credere, 1½ per cent (both on selling price).

12. Enumerate the different kinds of imported commodities sold at the London Produce Exchanges; choose one such commodity and trace the course it takes from its entry into an English port to its receipt by a consumer.

13. Make out an account sales for 400 bags of rice ex ss. *Peerless*, sold for the account of Alma Bros., Rangoon, by Phillips & Co., Ltd., Import Merchants, London. Gross weight, 10 tons 8 cwt.; tare and draft, 8 cwt.; sold at 39s. per cwt. The following expenses were incurred: Dock dues and cartage, £6 6s.; warehousing and insurance, £3 15s.; brokers' expenses and commission, £3 10s.; agents' commission, 2½ per cent on gross sales.

## CHAPTER XVI

### THE EXPORT TRADE

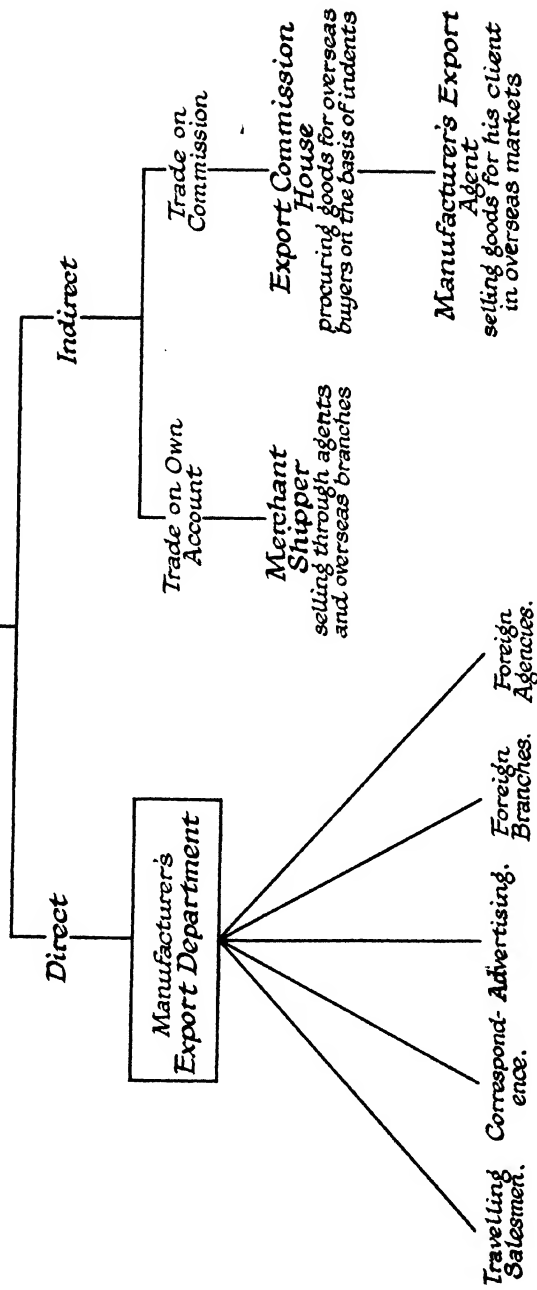
IN these days of specialization in every branch of industry and commerce, when manufacturers in all parts of the world are keenly alive to any new possibilities for extending their trade, the organization and development of the export trade has become a science which demands the most careful study and attention. The problem of finding an overseas market for his goods is one which is almost always present with the manufacturer, but to enter the export trade without having first laid careful plans is to court disaster. In venturing into foreign countries in search of new customers, the exporter must realize that before he can make any strenuous efforts to develop a given market, he must familiarize himself with a variety of details which never troubled him in his dealings in the home market. Careful preliminary inquiries must be made in order to ascertain the best trading area to open up activities, and money spent at first in conducting such investigations will go far to prevent subsequent losses and discouragements. Every country presents its own peculiar problems to the trader, and these must form the subject of special study. Climatic conditions may limit development, while local peculiarities of taste may require changes in productive methods in order to capture a market. Again, local conditions in the overseas country may make different demands on the article exported, so that it must be modified if it is to be of use to the foreign consumer. The construction of a motor-car, for instance, would have to be considerably different if it were to be used in certain parts of Australia than if it were to be employed in this country. The construction of a plough, to take another example, varies not so much with the taste of the ploughman, as with the character of the soil on which the plough will be used and the kind of animal which will draw it. The successful exporter, therefore, must ascertain these conditions in the country of export, and send the type of plough which is suited to them.

**METHODS OF BUSINESS.** The export trade, as a branch of intermediary trade, may be conducted either on one's own account, or

on a commission basis. From the point of view of the manufacturer, the export trade may be undertaken by the direct or the indirect method. When direct exporting is decided upon, the manufacturer exploits his own markets, chooses his own methods of developing business, and shoulders the entire responsibility for all operations. He may adopt one of a number of methods for the purpose of developing his market. He will, of course, in the first place, organize an export department in his own business under the direction of an export manager. He may then proceed to open up relations with his market through the medium of travelling salesmen. The success or failure of a manufacturer working on these lines will depend just as much upon the qualifications of the persons he sends overseas, as the quality, utility, or price of his wares. The personal element is just as important a factor in the foreign as in the home trade. A second means of opening up foreign markets is through the medium of correspondence. This is an economical way of commencing business, but it demands the highest qualifications of the man who is conducting the campaign. The skilful and competent handling of correspondence in a manner consistent with the temperament of the person who is to receive it determines the success of the venture. No matter which of these methods is adopted, the manufacturer will find that advertising is an important element in the development of an export business. Yet, before an advertising campaign is opened in the foreign field, the ground must be surveyed with caution. The market must be studied in detail, and all the channels through which the message may be sent must be thoroughly investigated.

In the case of large businesses, manufacturers have established foreign branches as a means of opening up a direct connection with an overseas market. This method has the supreme advantage of enabling the concern to maintain a close contact with conditions in the market. Credit problems are reduced to a minimum, since the man in charge can investigate, on the spot, the customer's capabilities for meeting his obligations. In connection with such foreign branches, warehouses are maintained in which goods may be stocked in large quantities so that prompt deliveries may be made. Finally, the manufacturer who wishes to undertake direct exportation may enter into relations with a foreign agency which will handle his business abroad. The foreign sales agent acts in the

## Methods of Conducting Foreign Trade



same capacity as the foreign branch, except that he orders and sells on his own account, finances all orders, and depends on his turnover for his profits. By associating himself with such an agent, the manufacturer will enjoy the advantage of being represented by a well-established organization whose standing in the community may be a distinct asset.

In the majority of cases, however, direct methods of exportation are not practicable, and the work is handed over to a specialized middleman. The export trade, as a branch of intermediary trade, may be conducted either as trade on one's own account or on a commission basis. The export merchant or merchant shipper is an exporter trading on his own account. He buys from the home manufacturer or producers according to the conditions of demand in the country to which he desires to export, and offers the goods for sale in that country. As a rule he has his own agents or selling branches abroad, and divides the area of his operations into sections, each of which is controlled by a branch which may have connected with it a number of sub-branches. The Committee on Industry and Trade summarizes the functions of the merchant shipper in the cotton trade as follows.<sup>1</sup>

(a) **Finance.** He finances the goods from the time they leave the manufacturer (who usually receives payment within seven days), and during the bleaching, dyeing, and printing processes, until after they have been sold in the country to which they are exported. In many cases credit extending to six months has to be given to the purchaser abroad, and this requires trained and experienced discrimination both as to when to grant credit and for what period.

(b) **Knowledge of Goods.** He has to know from what manufacturer he can obtain particular kinds or qualities of goods, and where and how to secure the particular finish that is required, since if two different types of grey cloth were subjected to the same process, or if the same cloth were subjected to slightly different processes, the final result might be widely different. Employing, as he does, the services of the manufacturer to produce his cloth, and of the finisher to carry out the further processes, the shipping merchant is thus responsible not only for the machinery of export, but also for the final stages of production and the control of the ultimate

<sup>1</sup> *Survey of Textile Industries*



character of the goods. It is claimed that the system of distribution by which the overseas customer is able to buy from the merchant the precise cloth he requires has been largely instrumental in creating British prestige in the world markets for cotton goods.

(c) **Knowledge of Markets.** The merchant must have intimate knowledge of the requirements of the markets in which he trades, and of all the conditions affecting those markets. He must also pay careful attention to packing and shipping arrangements.

Although the merchant's chance of profit is greater when he trades on his own account, exporters frequently prefer to act as commission agents. They may be either the buying commission agents of their overseas business friends, or they may be the selling commission agents of the home manufacturer. As buying commission agents, the exporter's duty is to look for suitable suppliers of the goods for which he receives orders. Such orders may embrace a great diversity of articles, and the exporter must display considerable activity in order to obtain the desired goods in the proper quantity and at the right place. For his trouble, the export commission agent receives a commission expressed as a percentage of the original invoice amount. As a means of check, the principal generally requires the submission of these original invoices. Hence, it cannot be said that the function of such a business is to sell home merchandise in foreign countries, but rather to act as a purchaser of home commodities for foreign buyers. It will buy goods only on the best terms obtainable, and only when it has actual orders from the foreign buyer to execute. On the other hand, the manufacturer is entirely relieved from such details as the shipment of the goods and the collection of money.

Again, the exporter may act as selling commission agent for home manufacturers, and it is then his duty to exploit the foreign market for his client's goods. In this case, he endeavours to effect sales for their account on the basis of samples, price lists, catalogues, etc., or he may receive shipment of goods with the instruction to sell them on commission. This latter method is especially important where the exporter can exhibit the goods in his own branches abroad.

**THE INDENT BUSINESS.** A special form of business in the export trade with Asiatic countries, especially India and Eastern Asia and also Australia, is to be found in the indent business. As already stated, this form of business arises when buyers in these areas give

orders for the delivery of goods at stipulated prices. The merchants who give these orders, i.e. the indentors, make themselves liable to take up the goods. The person instructed to buy accepts such instructions with reservation, i.e. he waits until he is sure that he can buy the goods at a satisfactory price in the producing area, i.e. at a price which leaves him a sufficient margin of profit. If the goods cannot be obtained at the price, the indentor must be notified, and he can then either withdraw his indent or he can fix a higher price. The advantage of conducting business on the basis of an indent is that the exporter is sure of a buyer on certain conditions without running extra risks. The exporter is not liable until he has declared himself prepared to deliver at the stipulated price. The indentor can only cancel his order on hearing from the exporter that it cannot be executed. The disadvantage of this form of business is the fear that, under the pressure of competition, indents are taken up at a very low price merely with a view to binding the buyer, even when a subsequent increase of price is contemplated. A repetition of such manoeuvres, however, creates an unfavourable impression on the mind of the indentor, and for this reason great pressure has to be brought to bear upon the manufacturers to execute the order at the original price or at a slightly enhanced one.

**SPECIAL CONTRACT CLAUSES.** In regard to the nature of the contracts between British importers and exporters and their foreign suppliers, or their customers, reference may be made to our previous remarks concerning the contract of sale. The peculiarity of foreign trade, however, is that it entails a whole series of special arrangements which refer chiefly to the fixing of prices and the fulfilment of the contract. When quoting prices, great care should be taken by the exporter that his customer shall be left in no doubt as to his exact meaning. It should be unnecessary for him to write or cable for further information, which not only gives rise to delays, but also causes expense. Thus, the following points should be embodied in an export contract—

- (a) A complete description of the merchandise.
- (b) A clear statement of the price.
- (c) The place of delivery.
- (d) The method of packing and any additional charges connected therewith.
- (e) The respective liabilities of customer and exporter.

- (f) Liability of exporter for delays beyond his control.
- (g) Terms of payment.
- (h) Method of shipment.

1. **Price Conditions.** In order to arrive at the price, it is of the highest importance to decide to what extent the costs of transport are to be borne by the seller. As a rule, the buyer bears all the costs which arise from the transport, and the clauses usually met with in transactions in the home trade also apply to foreign trade, but they have to be supplemented by numerous conditions which only arise in the overseas trade. In these cases, the supplier usually undertakes to bear some portion of the transport expenses. In such trade, the following expressions are used—

**F.O.B.** The importer buys "free on board" at the foreign port of shipment. The overseas seller bears merely the expenses of transport to the port inclusive of the loading of the vessel, and all other expenses have to be borne by the buyer. In the same way, the British exporter may sell his goods f.o.b. port of departure, say, f.o.b. Liverpool. In the export trade the clause, "f.o.b. port of shipment" means that the manufacturer in his relationship to the exporter undertakes to pay the transport to the port. Thus, the work of the exporter is simplified, since there is no need for him to calculate the railway carriage, the cartage, and the costs of loading.

**C.I.F.** In this case the seller also makes himself responsible for the cost of insurance and the freight to the port of destination. The buyer then merely has to bear the costs which arise at the port of destination, such as unloading. If these likewise are to be borne by the seller, the delivery is "ex quay." The freight is sometimes paid by the buyer on the arrival of the goods, in which case he may arrange to deduct this from the amount of the invoice. In the same way, the insurance may be effected by the buyer who in this case deducts the premium from the invoice. Under a c.i.f. contract, the risk of transport is borne by the seller until the goods arrive at the port of destination.

**C.F.** In this case, the seller only bears the cost of loading and the freight, whilst the cost of insurance is borne by the buyer. In certain circumstances, the seller includes in the price other expenses which may arise through the transport. Thus, c.i.f.c. means that in the price are included all commissions for the person who acts as commission agent. C.i.f.i. means that, in addition to the

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Shipment. By steamer during 1st & March, 19—

Price. per ton of 20 cwt. c.i.f. at Thirty-seven shillings (37/-)

**Payment.** Net cash against documents but buyers paying the freight according to the terms of the Charter Party, the amount being deducted from the invoice.

**Charter Conditions.** As per Chamber of Shipping Charter/Balloon Charter.

Discharge 700 tons per weather working day. Steamer to employ Merchants' men for discharging paying  
per ton of 1,015 Kilos for so doing.  
*One shilling*

**Weights, etc.** B/L as to quantity and Colliery Certificates as to quality and description to be conclusive for all purposes.  
Cost of mats and levelling, if any, to be paid by buyers.

**Insurance** on c.i.f. price (less the freight, plus 10 per cent profit and any freight paid in advance) to be effected by sellers. Such insurance will not cover war, etc., risks. These risks will only be covered as extras at buyers' request and expense. If any goods be lost or damaged after shipment, the buyers shall rely upon their rights under the policy of insurance in respect thereof, and shall have no claim against the sellers.

**STRIKES, ETC.** Sellers not to be held responsible for any loss, damage, or delay to cargoes caused by strikes, lockouts, disputes, force majeure, epidemics, combination of Officers, Engineers, Crew, Dock Labourers, Stevedores, Lightermen, or any other hands or agencies connected with the loading or working of the ship, or supply of the coals, coke or fuel. This contract is subject to the usual exceptions of strikes, lockouts, riots, accidents, epidemics, dismissal and usual stoppages of all descriptions, at Colliery or Collieries, Factory or Factories, from which the above coals, coke or fuel are to be drawn, and on or at Railways or Docks, or of Vessel's Crew or Dock hands, including force majeure, preventing or delaying production, deliveries or chartering, and such time of deliveries to be proportionately extended or quantity affected cancelled at Sellers' option. In the event of a General Strike and/or Lockout in the District from which the coal is drawn, notwithstanding that one or more of the above Collieries may be working, Sellers shall have the option of cancelling this contract or the particular shipment or shipments affected, or of extending the period of delivery proportionately to such stoppage or stoppages. In case of European War, epidemic at port or ports of shipment and/or delivery, or imposition of quarantine on vessels from or at such port or ports, Sellers shall have the option of cancelling this contract. Any vessel being chartered and advised to buyers and which is expected due to load within the stipulated time of shipment of this contract, shall be accepted as fulfilling an infringement of this contract; should steamer be unable to fulfil her charter. Sellers to provide another vessel and the delay in shipment not to be considered an infringement of this contract. Each delivery to be treated as a separate contract and the failure of one delivery shall not vitiate the contract as to others.

Should buyers make default in any payment, become bankrupt, or make any acknowledgment of being unable to pay their debts in full, sellers to have the option of cancelling this contract without prejudicing their claim for damages.

Any disputes arising under this contract shall be submitted to summary arbitration in Glasgow, Newcastle, or Hull, in sellers' option, and without counsel unless mutually agreed. In the case of Newcastle; the submission shall be under the rules for the time being of the Court of Arbitration of the Newcastle and Gateshead Incorporated Chamber of Commerce. In the case of Glasgow and Hull the parties may mutually appoint one arbitrator, and failing their agreeing on one, they shall respectively appoint an arbitrator, and the arbitrators so appointed shall have power to appoint an oversman or umpire, and the decision of such arbitrator or arbitrators or oversman or umpire as the case may be shall be final.

*John Roberts & Co.*

foregoing charges, interest is also included which may arise in the case of overseas transactions owing to the long time it takes to bring them to a settlement.

C.i.f.e. means that, in addition to the c.i.f. cost, the exchange or amount charged for the discounting of drafts is added to the price.

2. **Conditions of Delivery.** In view of the lengthy period of transport, goods which are still afloat may become the object of trade. The two methods of delivery in the home trade, i.e. immediate delivery and delivery within a certain time, are not sufficient in the foreign trade.

*Loco Transactions.* These are dealings in goods which are on the spot and are available for immediate delivery. They are sold at the place where they are available, and delivery must be made within a few days after the conclusion of the contract. Such transactions are only possible where an exporter sends goods to the place of the importer and is, therefore, in a position to deliver immediately an order is received. The great risk of sale which is associated with such transactions may be reduced in a number of ways. Thus, at the time of the contract the goods may be already loaded. As a rule, the importer has already sold in advance to a wholesaler, and now tries to cover himself by making his purchases through the exporter. The transfer of the goods from one party to another is evidenced by the bill of lading.

A contract may be entered into for the sale of goods which are to be delivered within a given period in the future. The date of delivery may be decided either by the seller or the buyer. The goods must be delivered at the port of destination within the period stipulated. It is, therefore, necessary that a sufficient time should be left between the date of notification that the goods are ready for shipment and the fixed date of delivery. Contracts for the sale of floating cargoes or for future delivery are usually based on samples or types.

**PREPARING AND PACKING THE GOODS.** The method of preparation is of the greatest importance in the export trade. This embraces the outer packing of the goods, i.e. the form in which the goods are handed to the customer for sale, such as the carton. Good packing may considerably enhance the value of the goods, and it is always false economy to eliminate costs by packing goods for foreign customers as cheaply as possible. In the packing and "make-up" of

goods, due regard should be paid to the habits and customs which prevail in the country of the buyer, even though these may not coincide with the views of the seller. For this reason, elaborate instructions are sometimes given in regard to the packing, and these should be strictly observed. A request which is frequently made is that the packing should be strictly neutral, i.e. without showing the firm or any mark or brand, since the importer intends to deliver the goods to his customer in the original packing without disclosing the source of supply. In such circumstances, the use of a monomark may prove a disadvantage.

The outer packing of the goods into bales, cases, casks, etc., must be strong enough to resist all handling in transit, and the demands made upon the packing in this respect will, of course, increase with the length of the voyage and the frequency of transshipment. Other factors which have to be taken into account are the following—

1. The method of transport in the country of destination. In some countries, where means of communication are undeveloped, goods may be carried by mule, llama, camel, or by coolies, and such transportation requires a limit in the weight of the cases.

2. The climatic conditions. Thus, heavy rainfall may require that the goods should be provided with special protective packing.

3. The conditions at the port of destination. In many parts of the world lighters are employed to get goods off the steamer, and hence they may be subjected to rough handling.

4. Protection against pilfering. This requires to be guarded against, particularly in the case of portable goods and food products.

**CONDITIONS OF PAYMENT.** In the overseas trade, delivery against a long term of credit without adequate security is bound up with great risk. A cash payment against delivery of the goods, as in the home trade, cannot, however, be effected. Between the dispatch of the goods and their arrival and acceptance by the buyer, a long sea journey must intervene—a fact which increases the difficulties of payment. For this reason the bill of exchange is largely used in the settlement of foreign trade transactions. In place of the actual delivery of the goods there is a kind of substituted delivery, which consists in the handing over of certain documents, such as the bill of lading, a duplicate consignment note, and an insurance policy. With the handing over of these papers the right of disposal is

transferred from the previous holder to the subsequent one, i.e. the buyer. The goods may be sent on the following terms—

- (a) Cash against documents.
- (b) Three months acceptance against documents.
- (c) Three months bank acceptance against documents.

In the last case it is necessary to open a credit with a particular bank—a fact which has been notified to the seller before shipment. A kind of prepayment exists where the buyer opens a credit in favour of the seller with a bank in the exporting country, or where the exporter draws upon the bank of the buyer.

### *fact* TEST PAPER XVI

1. What are the chief points to be considered by an exporter who is opening up a new market abroad?

2. Describe the organization of the export trade, and distinguish between the various types of firms engaged in it.

3. Describe briefly the services performed by middlemen in connection with British export trade. Contrast in particular the position of merchants as dealers and as commission agents.

4. If you were sending a consignment of goods abroad, what procedure would be involved after the goods left your premises and before they were handed to your customer? Mention all the documents likely to be employed.

5. What do you understand by goods being sent "on consignment"? If I send goods on consignment to a firm abroad, in what relationship does the consignee stand to me?

6. What is the name and what is the character of the document which the consignee sends to me when he has performed his part of the business?

7. Orders received from foreign countries are usually called indents. What particulars would you find on such an indent?

8. A B & Co. have a large store in Boston, U.S.A., and have received a catalogue from C D & Co., Export Merchants, Liverpool. Make out an indent as from A B & Co. for three lines of goods, and give full instructions with regard to forwarding, etc. Use your own judgment as to the type of goods and the information that would be given on the indent.

9. A London merchant receives from Bombay an indent for goods which is executed in due course. What are the various documents which will have to be prepared in connection with this order from the time of its receipt in London to the day when the goods are dispatched?

10. What do you understand by making up and packing goods for export? Why is this specialized work?

11. A native merchant in India wishes to buy a miscellaneous assortment of British goods. Describe the process by which he would obtain them.

12. A merchant may quote a price for goods f.a.s., which means that the price includes the cost of conveying the goods to the ship's side.



Mention five other kinds of prices commonly quoted for goods, giving their commercial abbreviations and explain exactly what the prices mean.

13. Which is the greater, a price f.o.b. or a price c.i.f.; a price f.a.s. or a price c. & f.? Explain why.

14. If 20 rolls of cloth, each of 50 yd., are quoted "loco" price at 18. 4d. per yd., and the cases cost 15s. 6d.; cartage, 4s.; dock charges, 5s. 10d.; insurance, 2s. 6d.; freight and bills of lading, £3 16s. 4d.; show how you would arrive at a quotation per yard, c.i.f.

15. If a Bradford merchant is prepared to sell cloth ex warehouse at 15s. 9d. per yd., what will be the price c.i.f. Genoa in lire per yd. on a shipment of 800 yd., packed in five cases each measuring 3 ft. 6 in. by 3 ft. 6 in. by 2 ft. 6 in. Cases and packing, 16s. each; carriage to docks, £5 10s.; dock charges, 5s. 9d. per case; b/l., 2s. 6d.; freight, £6 10s. per ton meat.; marine insurance on £700 at 4s. per cent. Lire 104 = £1.

16. Draw the diagram on page 241 and explain its meaning.

17. What are the main duties which usually devolve upon a merchant shipper engaged in the cotton trade?

18. An export manufacturer sends £5,000 worth of hardware to Australia to order; but although it takes the ship two months to convey the goods to the Australian port, and a letter takes seven weeks to travel to England, the manufacturer obtains payment practically as soon as the goods leave his factory. By what methods can this result be obtained?

19. A firm at Dundee buys jute from a Calcutta merchant, and payment is effected by means of a bill of exchange. Explain as fully as possible the probable history of the bill of exchange from the moment when it is drawn until its maturity.

20. Explain clearly: bill of lading; charter party; shipbroker; ship-chandler; *del credere*; documents against acceptance; underwriters.

## CHAPTER XVII

### SPECIAL INSTITUTIONS IN THE SERVICE OF THE WHOLESALE TRADE

#### (a) *The Produce Exchanges*

As economic society developed, the need for a common meeting-place of buyers and sellers grew very pressing. The gathering together of people at a convenient centre, at certain times of the year, or on certain days of the week, for the interchange of food and other necessities of life is one of the oldest practices of civilization. The early markets grew up spontaneously through dealers coming together at places on the borderline between parishes or counties, around castles or monasteries, or at some religious meeting-place. All kinds of goods were exchanged, and the market played an important part in the social life of the people, enabling them to exchange items of news and to compare prices. The principal difference between a market and a fair lies in the fact that *fairs*, as a general rule, were bigger than markets and were not held so often. They were generally held on a fixed day in the year—in most cases a saint's day—at a religious centre. To-day, these fairs are dying out, and play a relatively insignificant part in modern marketing. Where they survive, mainly in rural districts, they are observed chiefly as pleasure fairs.

A considerable advance in marketing methods was made when the custom of selling goods by *sample* was introduced, since there was no necessity to bring the merchandise into the market. It was therefore possible for a larger number of traders to come together, and the market was widened. The next advance was the sale of commodities by *grade*. This could only be practised on raw materials, and on such articles as could easily be grouped into definite classes, as for example, wheat, tea, coffee, rubber, and cotton. The grade is determined by the brokers acting in conjunction with the growers, as in the case of the cotton market, while the sellers try to grade their produce so that it may fall within one or other of the classes. Dealing by grade has enabled the system of dealing in *futures* to be introduced, which fact is of tremendous importance in present-day

manufacturing industry. The growth of exchanges, too, has led to further specialization. At one time, all kinds of articles were sold in one market, but with the development of the modern exchange, dealings have become more specialized, so that we get the cotton exchange, the wool exchange, and the corn exchange.

**NATURE AND ORGANIZATION.** In the first chapter of this work we mentioned the fact that the trader has at his disposal for the purchase or sale of his goods the markets and fairs which are held at regular intervals at certain places. We now come to similar institutions which serve the same purpose and which are designed to facilitate dealings in certain classes of goods, the chief organizations being the produce exchanges. Exchanges are held for a great diversity of commodities, and it is further necessary to differentiate between the following types of exchanges, namely—

- (a) The Stock Exchanges.
- (b) The Produce Exchanges.
- (c) The Freight Exchanges.

Produce exchanges have been instituted by trade associations in various places, especially in seaports and in the large trading centres of the interior. The exchange usually meets in an enclosed building at stipulated times of the day, and serves to focus the demand for and the supply of certain goods. Exchanges differ from markets in the fact that the goods themselves are not on view, but are only represented by samples. Moreover, the parties interested do not appear in person, but are represented by mediators. In general, the right of admission to the exchange is open only to members, and outsiders have to employ a commission agent to act for them.

Before a commodity can be the subject of dealings on an organized produce exchange, five conditions must be satisfied, namely—

1. It must be possible to hold stocks of goods at convenient points.
2. The commodity should be capable of being numbered, weighed, or measured.
3. The quality or grade should be capable of being tested easily.
4. The dealings in the commodity should be frequent.
5. The prices should fluctuate.

The commodities dealt in on these exchanges are of such a kind that they can be bought without being seen. In other words, they must be capable of being *graded*. It is also necessary that they should be capable of substitution, so that it is immaterial whether

a buyer receives this or that lot. In some instances the commodities are dealt in on the exchange by the establishment of certain quality types, which now form a basis of "futures" as, for instance, in cotton and coffee. The *type samples* are carefully preserved so that, if necessary, delivery can be compared with them. They are, as it were, standards which serve for the measurement of the quality of the goods, just as weights or measures serve for the ascertainment of the weight or length. From time to time these type samples have to be adapted to the quality of the crop. The exchange committee either establishes new types, or declares that the old types may remain in force. Much trade is also done on the basis of samples, although this cannot be described as real exchange business. The brokers concerned are obliged to preserve the samples which constitute the basis of the contract.

Amongst the produce exchanges, we may distinguish those engaged in the sale of various agricultural products such as grain, oil, seed, potatoes, hops, and flax, and also of commodities manufactured from them such as flour, oil, alcohol, etc. There are also special exchanges which deal in special articles such as metals, coffee, cotton, coal, and sugar. Manufactured goods are least suitable for exchange dealings. It is difficult to grade the articles, and the personal factor plays a large part. Where such exchanges do exist, they are not held daily, but only a few times every month. They bring together the manufacturers not only of a locality, but of a whole country, and are attended also by dealers in raw materials. Their function is rather to encourage a discussion of the general business position than the conclusion of transactions.

The dealings on an exchange are usually subject to a set of rules. These are the regulations concerning the organization of the exchange, and have reference to the appointment of the committee, the members and their admission to the exchange, their rights and duties, the course of dealing, and also the nature and method of fixing the market prices. In addition to providing a trading place, and regulations to govern the business dealings of its members, a produce exchange usually provides machinery for the settlement of disputes, and distributes market information. The exchange itself has, of course, no direct dealing in the commodities handled by its members, but merely provides facilities for the transaction and regulation of business.

**CONTRACTS ON THE PRODUCE EXCHANGES.** Transactions on the produce exchanges differ in many respects from those which are carried out without the employment of an exchange. The special form of the exchange contract consists in the fact that general brokers are made use of by the sellers and the buyers. In some cases, the employment of a broker is obligatory. A broker, like an agent, mediates the conclusion of contracts, but, unlike an agent, he is not permanently employed by particular firms, but only acts from transaction to transaction on behalf of either buyers or sellers. A broker, then, is an agent who specializes in selling or buying for his principal without actually having possession of or title to the goods, and who receives his compensation in the form of a commission. He stands as a natural mediator between the two parties, and enters into a contractual relationship with the buyer as well as the seller. His activity, in general, is terminated when he has brought together the two contracting parties and made the sale, regardless of whether the goods are ever delivered or not. The execution of the contract is not his business.

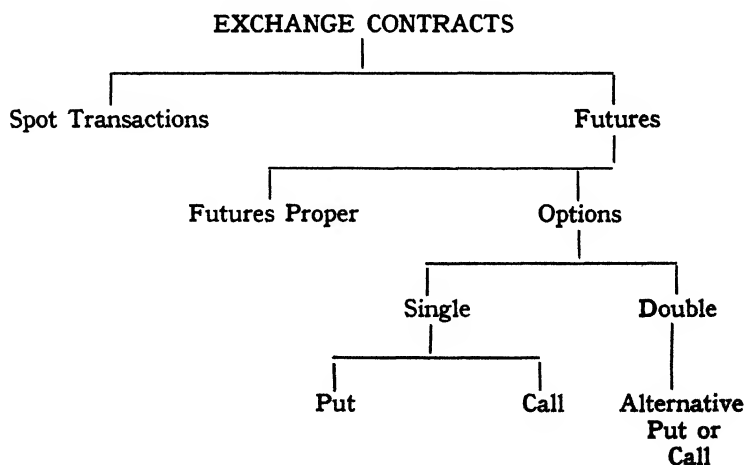
It may happen, however, that the broker in the Contract Note conceals the identity of the other contracting party. In this circumstance, he takes the place of the undisclosed party and also assumes responsibility for the fulfilment of the contract. In this case, however, he is not acting as a broker in the strict sense of the term. The remuneration of the broker is known as "brokerage," and is expressed as a percentage of the amount of the turnover. Such brokerage is frequently borne equally by the two contracting parties. Dealings on the exchange are made by word of mouth, but they are confirmed regularly in writing by the exchange of the Contract Note, the employment of which is a legal obligation. It contains a statement of the place and date of the contract, the names of the contracting parties, kind and quantity of the article of sale, the price, the time of delivery and, in certain circumstances, the terms of payment. In addition, it may give the receipt or confirmation of any money paid down, the place of fulfilment of the contract, and the exchange regulations to which the two parties have to submit. The contracting parties each sign one of the contract notes and exchange them for one another. Where a broker is employed, he submits the contract notes to the contracting parties for their signature and then transmits them to the respective parties. The

ascertainment of the price is not carried out by higgling between the parties, but it is fixed by the official market price which results from prevailing market forces. The market prices are written on the blackboards in the exchange room by the brokers, and are subsequently published by them in the market report.

**KINDS OF TRANSACTIONS.** According to the intentions of the parties with regard to fulfilment, exchange contracts may be divided into *spot* transactions and *futures*, as shown in the diagram. In spot transactions, the intention of the two parties is to take up the actual delivery of the goods stipulated in the contract. In other words, they are transactions in tangible goods which are available for immediate delivery. On the other hand, dealings in futures are contracts for the delivery of goods at some future time, and may be divided into futures proper and options. *Futures proper* are those contracts for the delivery of goods at some date in the future at a price settled when the contract is made. The most obvious example of the benefit of such transactions is that of a manufacturer who is quoting to his customers for future delivery of finished goods in, say, six months' or a year's time. If he cannot be sure of the prices he will have to pay for his raw material during the next few months,

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### CLASSIFICATION OF EXCHANGE TRANSACTIONS



he is running the risk of a serious loss if the prices of the raw materials should rise. At the same time, he might make a profit if the price of raw materials fell, but his prices would compare very badly with those of a manufacturer who had provided for his requirements by means of a future.

The advantage of the future for, say, a cotton spinner is this—he can buy his raw cotton deliverable six months hence at a price approximately near that now ruling. He knows exactly what the manufacturing process will cost him. Working on the data he now has, he can quote such a price to the weavers as will bring him his usual profit and, at the same time, avoid the risk of loss. Collectively, the effect of futures is even more beneficial. The fact that there are so many manufacturers in the market desirous of “covering” tends to steady the fluctuation, and to spread a rise or fall, as the case may be, over a long period. A cotton spinner, who buys his cotton forward and sells his yarn under the same conditions, is performing a legitimate operation. He is making sure of his profit in advance, and is not running the risk of movements in prices which might turn out to his disadvantage. He is also performing essential services in that he is producing steady work for his employees, and this operation is tending to keep prices steady in his particular market.

*Options* are arrangements to buy or sell at a fixed price within a certain period. Purchasing an option means the purchase for a certain fixed sum of the right to buy or sell an amount, say, of raw material during a fixed period. For instance, a person may buy an *option to call*, say, 1,000 lb. of cotton at 5d. per lb. during the next month by a payment, say, of 10s. If the price during the month rises to 5½d., the speculator can call for delivery of the cotton and sell it at 5½d., thus making ½d. per lb. profit. If the price remains stationary or falls, he does not exercise his option and loses his stake-money of 10s. Or he may buy an *option to put*, or sell an amount of cotton at 5d. per lb. during a certain period. If the price falls to 4d. he makes 1d. profit per lb. since he can buy at 4d. and sell at 5d. A *double option* is really a combination of a put and call. It is an insurance against the market price of a commodity moving either way since the purchaser can either buy or sell. The amount charged for such a right is twice that of a single option, and, in consequence, it is seldom employed.

*(b) Auctions*

Broadly speaking, the sale of goods may take place in one of two ways—they may be sold by private negotiation between buyer and seller, or publicly to the highest bidder at an auction sale. Although, of course, the former method is by far the more common, the latter finds extensive application. Everyone is, of course, familiar with the auctions of furniture, antiques, and other property which take place at frequent intervals in every large town, yet these are by no means the most important. Amongst the more important commodities which are disposed of by auction we may mention agricultural produce of every kind, live stock, tobacco, colonial produce, and wool.

**CHARACTERISTICS OF AUCTIONS.** The most outstanding characteristic of the auction is that it is usually open to the public, and that the goods are sold to the highest bidders. Any person who wishes to do so is free to attend and make purchases, provided that he complies with the rules under which the sale is conducted. When properly conducted, therefore, it would seem that the auction is one of the fairest methods of selling goods, though it is frequently alleged that a considerable amount of manipulation goes on both on the part of the vendors of the goods and amongst combinations of buyers. Under the provisions of the Sale of Goods Act, 1893, a vendor may not himself bid for the commodities which he is offering for sale, he may not employ anyone else to bid for him, nor may the auctioneer knowingly accept such a bid unless the right to bid has been expressly reserved in the advertised conditions of sale. When buyers in combination agree not to bid in competition in order to obtain the goods offered for sale at a low figure, they are said to have formed a *ring*. The existence of such rings is very difficult to prove, though it is stated in some quarters that the practice has increased considerably in recent years, especially in connection with auctions of agricultural produce.

Although the majority of auctions are open to all buyers, in certain instances this is not the case. In the fruit trade, for example, the question of the closed saleroom has long been the subject of controversy. At Liverpool there exists an agreement between brokers and members of the Buyers Association to keep the saleroom to themselves. New members are elected, but only in small numbers, and are required to pay a substantial entrance fee. Hence, when



outsiders wish to purchase, they are obliged to enlist the services of a member and pay him a commission, so that they protest that the closed auction system constitutes a restriction on trade. Yet the upholders of the system claim that it is the most productive of efficiency. They argue that the business has assumed such large proportions that the auctioneer can only deal with an audience consisting of large buyers who provide a regular demand, and that the presence of small buyers would only serve to impair the efficiency of the sales.

**TYPES OF AUCTIONS:** In all types of sale by auction, the procedure is very much on the same lines. The goods are, as a general rule, put up for sale in *lots*, each lot being deemed to be the subject of a separate contract of sale. The auctioneer circulates a printed sale catalogue among likely buyers, showing the number and a brief description of each lot. The buyers are given an opportunity of inspecting samples of the goods they are to buy, or the actual goods themselves. The terms on which the sales are made, the requirements as to deposits, and the lot money to be paid to the brokers by the purchasers are all fixed by trade regulations, and a breach of regulation may involve the cancellation of the contract, as well as the possible exclusion from future sales.

In Chapter XV we have already briefly considered the procedure adopted in connection with the disposal of imported fruit. Auctions are held for a variety of other agricultural produce. Thus auction sales of eggs are held in all parts of the country. The majority of these auctions are privately owned and have been established by private enterprise. Supplies, which are largely collected by carriers, are received on the morning of the sale and are quickly lotted for sale by midday. The lots are generally displayed with the sender's name attached, or a card is shown giving particulars of the lot together with a guarantee of quality signed by the sender. Amongst other auctions for the disposal of agricultural produce may be mentioned the fruit and vegetable auctions, the cheese and butter markets, and the corn and provender markets.

### (c) *Empire Marketing Board*

The Empire Marketing Board was established by the Government in 1926 in order to further the marketing of Empire produce in this country, and to advise the Secretary of State for Dominion Affairs

on the expenditure of an annual grant placed by Parliament at his disposal for that purpose. Attention is directed to every stage of the process of production and distribution of which marketing in the United Kingdom is but the last step. It employs two main methods in its work—publicity and research, including both scientific research and economic investigation.

The purpose of the Board's publicity is twofold. It seeks to bring home to every household in the United Kingdom and to the traders by whom they are supplied, the significance and advantages of Empire sources of production. It aims also at letting the producer overseas know what is being done in this country to assist him in finding an adequate and profitable market for his produce. This publicity work includes—

- (a) Newspaper publicity and advertising.
- (b) The display of posters.
- (c) Use of cinema films.
- (d) Special arrangements at exhibitions.
- (e) Provision of speakers for meetings and lectures.

On the side of research, the Empire Marketing Board has made grants to the Agricultural Departments of England and Wales, Scotland, and Northern Ireland to further various schemes for improving the production and marketing of home produce. The Board has also contributed to a number of institutions engaged on scientific research in this country. Thus, a sum not exceeding £25,000 has been promised to the Low Temperature Research Station, Cambridge, in respect of buildings and equipment.

#### TEST PAPER XVII

1. Distinguish between a produce exchange and an ordinary market or fair. What commodities are suitable for dealing on an exchange and why?

2. Why is it that markets for such commodities as cotton and corn are differently organized from those for such commodities as clothes and sewing machines?

3. Describe the customary method of wholesale dealing in *one* of the following commodities: (a) coal; (b) corn; (c) cotton.

4. Mention three commodities—foodstuffs or raw materials—for which there is an organized market. What circumstances make an organized market possible?

5. How would you define speculation in the produce market and distinguish it from gambling? What useful purpose, if any, is served by speculation?

6. What kinds of goods are usually sold by auction? Describe the procedure connected with the purchase by auction of any class of imported goods.

7. Mention three London markets and state the principal goods dealt in at each.

8. What is meant by dealing in "futures"? What are the principal commodities that can be dealt with in this way, and where are their respective markets situated? What special advantages accrue to a manufacturer by the existence of a "futures" market for his chief raw material?

9. Distinguish between "futures" and "options," and explain the legitimate parts they play in the world of business.

10. Describe the organization of an auction in the wholesale trade, and point out the circumstances in which auctions are likely to take the place of (a) organized exchanges, and (b) dealings by private treaty.

11. What is the function of an Arbitration Court in connection with a produce exchange?

12. What is a market? Mention three commodities—foodstuffs or raw materials—for which there is an organized market. What circumstances make an organized market possible?

13. Certain areas in London are world-famed as markets for specific products. Name the principal markets and describe in some detail the activities of one of them.

14. Illustrate, by examples, how the high degree of organization existing in certain markets facilitates the financing of the movements of the commodities handled in these markets.

15. What are the chief aims of the Empire Marketing Board? In what way does the Board endeavour to achieve these aims?

16. What advantages are claimed in the case of the London Stock Exchange for the division of function between broker and jobber? Indicate the part played by each when a member of the general public purchases some well-known British railway stock.



# APPENDIX A

## QUESTIONS FROM PUBLIC EXAMINATION PAPERS

- R.S.A. Royal Society of Arts.  
L. & C. Union of Lancashire and Cheshire Institutes.  
N.U.T. National Union of Teachers.  
L.C.C. London Chamber of Commerce.  
N.C.C. Northern Counties Examination Council.

1. Explain what is meant by the term "Production." Discuss the appropriateness of the term "producer" as applied to a farmer, a miner, an engineer, a doctor, a teacher, a film actor. (L. & C.)

2. "Commerce embraces all those activities engaged in surmounting the hindrances to exchange." Explain this statement and state under what main headings the various operations of commerce may be grouped. (N.U.T.)

3. Draw a diagram showing the classification of occupations. What, in your opinion, would be the predominant occupations of the inhabitants of a newly-settled country? Give reasons. (N.U.T.)

4. Take any commodity produced in your home district and describe the various steps by which it ultimately reaches the consumer. (N.C.C.)

5. Explain the manner in which the purchase of a suit of clothes finds employment for men in many trades. Who eventually receive the amount of the purchase price? (L. & C.)

6. Sketch in outline the organization of the cotton industry, showing the various sections of the industry concerned with the manufacture of the material, and the classes of dealers concerned with its sale, from the raw state to the final article required by the consumer. (L. & C.)

7. State the main groups of occupations which may be placed under the heading "Commerce." Select one of these groups, and compare the service it renders to the community with that of a group engaged in extractive industry. (N.C.C.)

8. "Commerce is mainly concerned with the distributive side of industry." Explain this statement, and indicate what you consider to be the main groups of activities included under the term "commerce." (N.C.C.)

9. What reasons might lead a sole trader to convert his business into a joint-stock company? Discuss the advantages of this conversion to the trader and to the business. (L. & C.)

10. Compare and contrast the conditions relating to membership, capital, and liabilities of the following types of firms, bringing out the advantages and disadvantages of each type and the rights and responsibilities of the members thereof—

(a) An ordinary partnership and a limited partnership.

(b) A private joint-stock company and a public joint-stock company. (L. & C.)

11. State the functions of the retailer from the point of view of (a) the consumer, and (b) the wholesale dealer. (N.U.T.)

12. (a) Why does a retailer buy many goods from wholesale dealers rather than direct from the manufacturers or producers?

(b) Why is the wholesalers rate of profit on an article usually less than that of a retailer's on the same article? (L. & C.)

13. On 1st November, 1928, an outfitter purchased the following—

12 dozen pairs knitted gloves, "A" quality, at 28s. 6d. per doz.

3 dozen Poplin shirts at 9s. 6d. each.

8 dozen Irish linen collars at 8s. 9d. per doz.

$\frac{1}{2}$  gross silk ties at 23s. per doz.

Terms: 15 per cent trade discount, and  $2\frac{1}{2}$  per cent for cash within one month. Make out an invoice for the goods, and give a copy of the cheque which would be sent in payment on 30th November, 1928. The invoice and the cheque must contain all the details which appear in these documents in ordinary business life. (N.C.C.)

14. Mr. Robert Jones, Salford Street, Manchester, has to-day received an invoice from Messrs. William Stevenson & Co., Ltd., Victoria Works, Coventry, relating to 25 bicycles at £6 17s. 6d. each. Describe fully the steps in the transaction which you think will have preceded the dispatch of the invoice. In this transaction trade discount is allowed at 10 per cent, and cash discount at  $2\frac{1}{2}$  per cent for one month. Make out the invoice in what you regard as the most suitable form; and on the assumption that the account be paid within the month, state the amount actually paid. (N.C.C.)

15. In what ways could the payment referred to in question 14 be made? State which method you would expect to be adopted and give your reasons. (N.C.C.)

16. Discuss the statement that "goods well bought are already half sold." (L.C.C.)

17. It has been said that "price, quantity, and conditions of delivery are the chief factors which should be considered by the retailer in buying." Discuss this statement. (N.U.T.)

18. "A large profit on a single transaction does not prove the success of the business." Discuss this statement with reference to the retail trade. (N.C.C.)

19. It is said that the more quickly goods pass through the shop or warehouse the smaller will be their share of the overhead expenses. Discuss this statement and illustrate your answer by reference to some particular goods. (N.C.C.)

20. Assuming that a draper, a grocer, and a butcher have the same annual amount of trade, why does the draper have more stock than the grocer, and the grocer more than the butcher? (L. & C.)

21. A trader invested £2,000 in his business. The goods he sold

during the year cost him £4,000, to which he added 25 per cent when fixing his selling price. His working expenses were £700. State—

- (a) The rate per cent of his working expenses on sales.
- (b) The rate per cent of his gross profit on sales.
- (c) The rate per cent of his net profit on capital. (L. & C.)

22. Account for the present-day importance of advertising, and briefly describe some of the methods which may be employed.

(N.U.T.)

23. Mr. John Brown is about to set up business as a retail grocer, and his initial capital of £5,000 consists of money on deposit at his bank. Show what changes you would expect to have occurred in the form of his capital (a) by the time trading with his customers actually begins, and (b) at the end of six months' trading. (N.C.C.)

24. "It is desirable that a trader should carefully examine his trading figures, as shown in his Trading and Profit and Loss Accounts, and compare them with those of previous years." Draw up specimen Trading and Profit and Loss Accounts, giving figures for the last two years, and indicate what information can be extracted from them. (N.C.C.)

25. What are the uses of the retailer under modern conditions, and what would be the most likely results of his abolition? (N.U.T.)

26. Write explanatory notes on five of the following: Legal tender; Price list; Slow turnover; Instalment system; "Mark-up" price; Itinerant trader; Gross profit; Unfair competition. (N.U.T.)

27. Describe, carefully, the organization of the buying operations of a large departmental store, and explain the various methods employed in the purchase of goods. (L. & C.)

28. What are the conditions which would appear to be essential to the success of departmental stores? Describe a suitable form of organization for a departmental store with four selling departments. (N.C.C.)

29. Discuss the growth of the multiple shop form of trading, and describe chiefly how this type of business is organized. (R.S.A.)

30. In what ways and to what extent is the multiple shop system an attempt to eliminate the middle man? (N.C.C.)

31. Is it desirable to set limits to the extension of manufacturers' activities in retail trade? (R.S.A.)

32. "Despite the ever increasing number of multiple shops and departmental stores, small retail shops also continue to increase in number." Account for this increase in retail shops in the face of such intense competition. (N.U.T.)

33. Describe the management and control of a retail distributive Co-operative Society. (L. & C.)

34. Point out the main features which distinguish a co-operative society of consumers from other forms of retail traders. (N.C.C.)

35. Trace the course of manufactured goods distributed from the factory to the consumer through the medium of the co-operative system. (N.U.T.)

36. There has been a remarkable change in the organization and methods of the retail trade in recent years. Discuss the various ways in which this development has taken place. (N.C.C.)

37. What differences are to be found in the methods of marketing meat, dried fruits, and wheat in the wholesale trade in this country? Explain why all foodstuffs cannot be dealt with in one type of market. (N.C.C.)

38. A retail trader (with about 30 shops) decides to buy certain commodities direct from abroad. What are the advantages and disadvantages of this course in comparison with his previous method of purchasing through import merchants? (N.C.C.)

39. Select one of the following trades, and describe the methods employed by a wholesaler engaged in it in purchasing and selling his goods—

(a) Grocery. (b) Drapery. (c) Hardware. (L. & C.)

40. Why do—

(a) the rates of gross profit on sales vary between different trades, e.g. the grocery and drapery trades; and

(b) the rates of net profit on (1) sales, and (2) capital, vary between different firms in the same trade? (L. & C.)

41. How would the abolition of wholesale dealers affect (a) retailers, (b) manufacturers? (N.U.T.)

42. To what extent and in what way may the following be used by the business man to effect an increase of his turnover: (a) buying; (b) selling; (c) warehousing; (d) keeping accounts? (N.U.T.)

43. What rules would you apply to the compilation of business records of trading results in regard to turnover, etc., in wholesale and retail trade so as to secure clearness of presentation, ease of apprehension, and utility to the business managers? (R.S.A.)

44. A trader's account for 1928 shows his gross profit as £10,925. Draw up an account, supplying figures and items of your own, to show how his net profit for the year would be ascertained.

Using the same gross profit, draw up accounts to show a net profit of 5 per cent on turnover. (R.S.A.)

45. What are the functions of the warehouseman in wholesale trade? (N.C.C.)

46. The wholesaler is an intermediary between the manufacturer and the retailer. Describe the ways in which he renders services to them, and indicate any special business risks which he shoulders. (N.C.C.)

47. Indicate what you consider to be a suitable scheme of organization for a small wholesale warehouse having three selling departments. (N.C.C.)

48. As the manager of a small department in a wholesale house, write a brief report to your general manager indicating the staff you employ and the duties of each. (L.C.C.)

49. What is an inland bill of exchange? Prepare a specimen bill with John Smith as payee, Frank Jones as drawer, and Thomas Lord as



drawee. Show an acceptance on the bill, and give the exact date when the bill will have to be met. (L. & C.)

50. On 1st December, 1928, James Smith, of Sunbridge Road, Bradford, sold goods to T. Wells & Co., Ltd., High Street, Wandsworth, to the amount of £201. Draw a bill of exchange, payable at two months after date, in settlement of the above transaction and show the acceptance. State the advantages to both parties of this method of payment. (N.C.C.)

51. You are called in as advisor to the Durham Investment Company, Ltd., which proposes to purchase and forthwith to float as a public company the business carried on since its incorporation by the Newcastle-upon-Tyne District Wholesale Clothing Company, Ltd. The following is the last published Balance Sheet of the vendor Company—

THE NEWCASTLE-UPON-TYNE DISTRICT WHOLESALE  
CLOTHING COMPANY, LTD.

BALANCE SHEET AS AT 31ST DECEMBER, 1928

<i>Liabilities</i>	<i>Assets</i>
Nominal Capital £150,000 Shares of £1 each, £150,000	Freehold Factory as per last Balance Sheet . . . . . 20,000
	Machinery as per last Balance Sheet . . . . . 15,000
	Less amount written off . . . . . 1,000
	14,000
Capital issued 50,000 Ordin- ary Shares of £1 each fully paid . . . . . 50,000	Motor vehicles as per last Balance Sheet . . . . . 450
5% Debenture stock (redeem- able at £105 per £100 stock by annual drawings 1930-60) 20,000	Less depreciation 10 per cent . . . . . 45
Trade creditors . . . . . 7,500	405
Reserve for expenses due but unpaid . . . . . 1,255	Additions during year . . . . . 650
Reserve . . . . . 5,500	1,055
Bank . . . . . 2,435	Stock and work in progress certified by Managing Director . . . . . 19,000
	Goodwill . . . . . 5,000
	Preliminary expenses as per last Balance Sheet . . . . . 7,000
	Less written off . . . . . 1,000
	6,000
	Sundry debtors . . . . . 19,500
	Office furniture . . . . . 180
	Stock of tickets, stationery (certified by Managing Director) . . . . . 35
	Cash in hand . . . . . 160
	Rates paid in advance . . . . . 255
	Profit and Loss Account Balance as at 31-12-28 . . . . . 1,505
<u>£86,690</u>	<u>£86,690</u>

You are required—

(1) To say what further information you would require before submitting your report.

(2) To make out a précis of the report you would submit, incorporating such presumed answers to the inquiries mentioned in the first part of the question as you may deem necessary. (N.C.C.)

52. Explain in what form copies of orders given out in a wholesale warehouse to manufacturers for supplies of goods ought to be kept and tabulated. Could these records be utilized to indicate also the receipt of the goods into the warehouse? (R.S.A.)

53. Make a neat tabular arrangement of the following statement, fill in the missing figures (a), (b), (c), (d), and find the average monthly percentage during the quarter—

Month	Sales	Selling expenses	Per cent
1929	£	£	
January .	34,916	3,638	10·4
February .	36,742	(a)	11·7
March .	44,330	5,736	(b)
Totals .	£115,988	£(c)	(d)

(L.C.C.)

54. Why is a manufacturer willing to accept a relatively lower price for a large order paid for on delivery than for a smaller order to be paid for in three months? What documents would pass in each transaction between buyer and seller in connection with the ordering and delivery of the goods and the payment for them? (L. & C.)

55. What advantages has the joint-stock company over other forms of business organization? Mention any disadvantages inherent in the joint-stock system. (N.C.C.)

56. Discuss the nature and importance of works costing, and describe any system of costing with which you are familiar. (N.C.C.)

57. Describe in detail a method you would adopt to effect the speedy dispatch of orders. (L.C.C.)

58. Briefly describe an efficient system of recording the receipt and issue of goods from the factory to the department in a manufacturing business. (L.C.C.)

59. A wholesale warehouseman says that the amount of capital he has invested in his business is £5,000. Explain the meaning of his statement, and show by means of a *pro forma* balance sheet how the capital is employed. (N.U.T.)

60. Explain what is meant by the capital of a bakery, including a shop. How may this differ from the capital of the baker? (R.S.A.)

61. A Manchester merchant buys a cargo of steel goods in Pittsburg,

U.S.A. Give a detailed account of the documents employed in the purchase and importation of the goods, and in the payment therefor.

(L. & C.)

62. Mention four commodities which are imported into this country. Explain the method by which one of the commodities passes into the possession of the manufacturer or wholesaler.

(N.C.C.)

63. Explain and illustrate the functions of (a) a broker, (b) a factor, and (c) an agent, and the services they render to commerce.

(L. & C.)

64. What imported goods are usually sold by auction on their arrival in this country? Trace the progress of one such commodity from the ship's side to the ultimate consumer.

(R.S.A.)

65. "Bills of exchange with documents attached." What are these shipping documents? Describe the functions of each and explain why the documents should accompany a bill of exchange.

(L.C.C.)

66. You are engaged in the export trade and are shipping goods to Brazil and the Argentine. Explain the methods you would adopt (a) to secure an advance immediately the goods are shipped; (b) to make reasonably sure of payment from your customer.

(N.C.C.)

67. A merchant quotes a price for goods c.i.f., which means that the price includes the cost of the merchandise, incidental charges, insurance, and freight. Name other similar kinds of prices commonly quoted for goods and explain in each case the charges the prices include.

(L.C.C.)

68. Mention various ways in which the government of a country can help its traders.

(N.U.T.)

69. In what ways are banks necessary for (a) retail traders, (b) wholesale traders, and (c) manufacturers?

(L. & C.)

70. Explain how the nature of the raw commodity dealt in determines very largely the organization of the market therein. Describe briefly the working of any organized market with which you are acquainted.

(N.C.C.)

71. What services are rendered to industry and commerce by trade exhibitions? Illustrate your answer by reference to some industry or trade with which you are familiar.

(L. & C.)

72. What is a market? How does a local market differ from a national and from an international market? Mention three commodities for which there is a national market. What is meant by the statement "there is only one price for the same commodity in the same market at the same time?"

73. Write explanatory notes on *five* of the following: Fiduciary issue; Free entry; Ship's report; Pool; Joint venture; Produce broker; D/A; Underwriter.

(N.U.T.)

74. Discuss the relative advantages and disadvantages, from the social point of view, of public and private enterprise in industry. Illustrate your answer as far as possible, by reference to any enterprise of which you have made a special study.

(N.C.C.)



## APPENDIX B

### TERMS USED IN THE WHOLESALE AND RETAIL TRADE

**Account Day.** A day fixed by the committee of the Stock Exchange upon which stock and share transactions are due to be settled. Usually it is on alternate Thursdays, but at holiday times the interval is three weeks instead of two. Transactions in British Dominions and Provincial Government Securities are for cash and not for account days.

**Account Sales.** A statement furnished to a principal by his agent, giving details of the sale of a consignment of goods. It shows the quantities sold, the price paid for each lot, the total proceeds, the deductions made for the agent's commission, and for expenses incurred by him for freight and insurance, and, finally, the net proceeds.

**Advertisement Agent.** An agent who undertakes advertising of all descriptions. He advises as to the scope and form of publicity; retains space in newspapers and journals; prepares layouts, copy, and designs; and completes approved material, and arranges for its subsequent printing and publication. He is also known as a publicity agent.

**Advice Note.** An intimation that some particular transaction has been or is about to be effected on the recipient's behalf. It is usual to advise the arrival of consignments, the dispatch of goods, the payment of accounts, and the shipment of goods.

**Agent.** One appointed to act for another who is termed the Principal. The agent's acts, if done within the scope of his authority, bind the principal as much as if he had done them himself, and they are as completely valid as though done by the principal instead of the agent.

**Agent, Inquiry.** One who, on behalf of subscribers, conducts inquiries privately into the financial status and business reputation of subscribers' prospective customers. He reports to clients the results of his inquiries.

**Amalgamation.** When two or more businesses are combined so as to form one, there is said to have been an amalgamation.

**Amanuensis.** One who writes, from dictation, letters, articles, literary work, etc.

**Arbitrage.** A transaction in differences in prices compared with other markets. For instance, a particular security may be bought cheaply in Paris and, simultaneously, sold at a profit in London or elsewhere, where higher figures are obtainable.

**Arbitragist.** A broker, who, on behalf of his employers, purchases securities on one stock exchange or centre and immediately sells them on another exchange where a higher price is ruling, to obtain the difference between the respective prices.

**Auctioneer.** One who sells by auction, goods, land, houses, etc. He advertises and prints the catalogues of sale, holds a State licence, and sometimes undertakes the work of an estate agent.

**Backwardation.** What a seller pays to a purchaser to postpone delivery of a security. Sometimes people sell what they do not hold, hoping to make a profit by buying at a cheaper figure, and do not always succeed in this.

**Bacon Curer.** One who cures large parts of bacon by injecting brine into the bacon with a hollow needle syringe; thin parts or sides of bacon are cured by laying them flat, stacking, and entirely covering each layer with salt.

**Bailiff.** A person who executes distraint, i.e. takes possession of goods, furniture, etc., on landlord's premises, remaining in possession until the rent is paid.

**Baler.** One who packs goods in bales, either by hand, or by using a treading or baling machine.

**Bank Post Bills.** Bills issued by the Bank of England, payable seven days or sixty days after sight.

**Bear.** A speculator who sells for delivery on a certain date stocks which he does not possess, in the expectation to buy them at a lower price before the day of delivery.

**Berth.** The place alongside a wharf or quay where a vessel is loading or discharging her cargo.

**Bill Broker.** One who acts on a commission basis as agent for discounting of bills of exchange between the holder and the bill discounter; he sometimes himself acts as bill discounter.

**Bill of Health.** A certificate describing the state of health prevalent on board given by the authorities to the captain of a vessel at the time of his leaving a port.

**Bill of Sight.** A permission granted to an importer, who is ignorant of the real quantities and qualities of the goods consigned to him, to view the same in the presence of the officers of the customs, in order that he may be able to make a perfect entry.

**Billposting Agent.** One who accepts orders for the posting of posters or other advertisements on hoardings or other display stations of which he has acquired the posting rights.

**Black List.** The list of persons against whom it is necessary to warn the public, because their credit is so bad that it is unwise to enter into contracts with them. Such lists are published by the various Trade Protection Agencies to their subscribers for their private information in order to protect them from the risk of bad debts.

**Board of Trade.** A government department, established in 1656, entrusted with the supervision of all matters relating to trade navigation and railways.

**Bonded Carrier.** A cartage contractor licensed by H.M. Customs to cart tobacco, wines, spirits, and other dutiable articles, duty being unpaid, from the dock, quay, or warehouse into the bonded warehouse, or from the bonded warehouse to the ship for re-export.

**Bonded Warehouseman.** A warehouseman in a warehouse where goods subject to Customs or Excise duty are received and stored, "under bond," that duty will be paid when the goods are cleared for consumption.

**Book Debt Buyer.** One who buys from creditors, in return for an arranged proportion of sums due, the rights to collect certain debts, trusting to recoup himself through amounts which he may be able to recover from debtors.

**Boom.** A sharp rise in prices, accompanied by an abnormal demand for certain commodities.

**Bottler.** One who fills bottles, by hand or machine, and passes them forward for labelling.

**Broker.** An agent who acts as intermediary between buyer and seller, charging a commission (brokerage) on the money value of the transaction. He does not handle the goods, and has no lien on the subject-matter of the transaction.

**Brokerage.** A commission in the form of a percentage charge made by a broker for buying or selling goods, or for carrying out Stock Exchange transactions.

**Bucket Shopkeeper.** This is a slang expression for a person who, not being a member of the Stock Exchange, conducts business elsewhere, and usually in stock and shares which are not quoted on 'change.

**Builders' Merchant.** A wholesale dealer or retail shopkeeper who sells materials for building purposes, e.g. bricks, cement, lime, etc.

**Bull.** A speculator who contracts to buy stocks in the expectation to sell them at a higher price before the next settlement.

**Bumboatman.** One who conveys fruit, provisions, etc., in a broad flat-bottomed boat, called a bumboat, to vessels in port or off shore, to sell to passengers or crew.

**Buyer.** One who selects and purchases goods for retail sale on behalf of his firm; he interviews travelling representatives of manufacturers or wholesale merchants and visits market centres. In large departmental stores he buys from one department only, under the supervision of the head buyer.

**Buying-in.** If a seller fails to give delivery of a security sold, the buyer may buy in against him and claim the refund of any loss sustained.

**Called-up Capital.** The amount that has been demanded from the shareholders of a joint-stock company, inclusive of those payments that are due on application and allotment of shares.

**Canvasser.** One who takes orders for goods on production of a sample, generally by calling on the consumers in their homes as representing his firm. He works usually on a commission basis.

**Carry Over.** An operation which postpones delivery of securities in return for some payment.

**Carrier.** The owner of vehicles in which he conveys passengers, goods, and produce from one place to another.

**Cash Bargains.** Mostly business on the Stock Exchange is for settlement on settling day at the end of the account. Bargains for immediate settlement may, however, be made, and are called cash bargains.

**Certificate.** There are many kinds of certificates, but on the Stock Exchange the term is usually applied to the document issued to shareholders certifying their holdings of shares.

**Certificate of Origin.** A document which certifies that certain specified goods were grown or manufactured in a particular locality.

**Certification.** An official intimation that a seller's certificate is in possession of the company.

**Chamber of Commerce.** A voluntary organization formed to promote and protect general trade interest, as distinct from trades of a particular class.

**Chandler.** A retail shopkeeper who sells groceries, provisions, and general household goods.

**Clothier.** A wholesale dealer or retail shopkeeper who sells all kinds of ready-made clothing; he sometimes also makes clothes to measure.

**Coal Hawker.** A person who buys coal from a coal contractor and sells and delivers it, usually in small quantities, driving his cart on a definite round of streets.

**Coal Merchant.** A retail dealer in coal or coke. He usually purchases from the mine owners, or land sale managers (colliery), discharging the coal from trucks in his own siding and sells direct to the consumers on orders given at the office or by employing coal hawkers.

**Collateral.** When securities are deposited against a loan such are usually termed "collateral" securities.

**Collector of Debts.** A person who calls on debtors or occupiers of houses to collect debts on behalf of creditors. He charges a commission on the money collected.

**Collector Salesman.** A canvasser who also collects weekly or monthly payments for goods sold on the instalment system.

**Commercial Traveller.** A person who travels from place to place seeking orders for goods from old and new customers, usually retail shopkeepers for the firm he represents. He usually operates in particular districts; displays samples to prospective buyers, and works on a salary or salary and commission basis.

**Commission Merchant.** A person who buys and sells goods on commission for his own account. He differs from a broker in that he may hold and control the possession of the goods.

**Commissionaire.** A member of the Corps of Commissionaires employed to

undertake messenger work of considerable responsibility, e.g. bank messengers. He also attends at entrance of hotels, theatres, cinemas, banks, etc., to direct and assist inquirers, and to keep out undesirable persons.

**Consulage.** The fees charged by a consul for obtaining his signature and seal to documents.

**Consular Invoice.** An invoice which has been sighted and signed by the consul of the country to which goods are being shipped.

**Contango.** A purchase or sale may be carried over from one account to another, subject to "contango" or interest. The Monday previous to the settlement, or Thursday, is the usual "contango" day for arranging such postponements.

**Counting-house.** The office in which a merchant's accounts are kept, and his correspondence and other business is conducted.

**Coupon.** Bearer bonds and shares have "coupons" for payment of interest at fixed dates attached. A coupon is cut off when due and presented for payment.

**Cover.** Securities or cash deposited as a margin against depreciation in securities purchased for a client.

**Credit Draper.** One who sells drapery goods on the instalment system of payment, calling on customers at their homes, or employing tallymen. He may direct a retail shop, but usually works from a private house.

**Cum Dividend.** "With the dividend due or accruing." When stock is sold "cum dividend" the buyer takes the benefit of the dividend about to be distributed.

**Custom's Entry.** A list given to the customs authorities by the importer, showing the weight, measure, value, and description of goods to be landed and imported.

**Debenture.** A loan which ranks ahead of a company's share capital. May be secured by a mortgage on specific assets, or on the general undertaking of the company.

**Defaulter.** When the member of the Stock Exchange fails to meet his bargains he is declared a "defaulter." Owing to the process of declaration on the Stock Exchange he is said to be "hammered."

**Del Credere.** All engagements entered into by an agent for which he receives an extra commission by which he guarantees that all goods which he may sell for his principal shall be paid for. This extra commission is called a *del credere* commission.

**Demurrage.** A charge of so much per day made by the owners of ships or barges for their detention beyond a stipulated time. The term is also used for a charge of so much per day made by railway companies for detaining their wagons, trucks, and carriages beyond a certain time.

**Direct Services.** That branch of production which is concerned with the direct sale of labour power apart from the production of material commodities. Among direct services are included those of the soldier and sailor, the teacher and preacher, and persons engaged in similar occupations.

**Discount Broker.** One who acts on a commission basis as agent for the discounting of bills of exchange between the holder and the bill discounter.

**Dispatch Clerk.** One who receives delivery notes, together with addressed labels, from the department by which sales have been made; hands the notes and labels to the packers; enters in the Goods Dispatch Book the record of weights and packages supplied by the packers; where necessary, he makes out the railway dispatch sheets; receives and checks accounts from the railway for carriage of packages, and passes them to the cashier for payment.

**Dock Superintendent.** A person who has general administrative control of a dock and its operation.

**Documentary Bill.** A bill of exchange to which are attached the bill of lading, invoice and policy of insurance relating to the consignment against which the bill is drawn.



**Double Option.** The holder of a double option for which a premium is paid has the right to buy or sell securities at a specified time at a fixed price.

**Drayman.** One who drives a dray or wherry, a low flat vehicle for transporting heavy bulky material, e.g. beer barrels, stone blocks.

**Drysalter.** A wholesale dealer, often an importer who deals in crude dry chemicals, dyes, resins, and shellacs.

**Earnest Money.** A sum of money advanced to bind a verbal agreement.

**Estate Agent.** One who arranges sales and the letting of houses, shops, flats, estates, etc.; he collects rents, arranges for repairs and works generally on commission.

**Exchange Broker.** One who arranges the purchase and sale of foreign currencies, chiefly on behalf of banks, but sometimes acting for large firms. He has a knowledge of the ruling currency prices, locates where definite amounts of money can be purchased, and receives a brokerage commission for his services.

**Ex Dividend.** The seller of securities dealt in as ex dividend retains any dividend declared or due.

**Exporter.** A person who buys goods from manufacturers, importers, and factors, and sells to firms in the colonies or in foreign countries. He purchases and sells on his own behalf, directing the warehouse staff for storing, packing, and exporting the goods. The exporter sometimes accepts commission to ship and to sell abroad goods ordered by customers, does not necessarily handle the goods, but is responsible for clearing the bills of lading unless the actual shipping is regulated to a shipping agent.

**Ex Warehouse.** When goods are sold ex warehouse, the purchaser must provide the means of conveyance from the warehouse door.

**Factor.** A middleman in the wholesale business who works on commission. He differs from a broker in that he may hold and control possession of the goods.

**Financier.** A general term denoting anyone engaged on financial transactions, banking on a large scale, company promoting, etc.

**Force Majeure.** Some conditions arising to prevent delivery which no ordinary causes could foresee or provide for, making it impossible to supply the goods within the contract time. The most common occurrence is labour trouble.

**Foreign Correspondent.** A clerk whose main duty is to translate letters from foreign clients into English, and to translate the answers from English to the required foreign language.

**Forwarding Agent.** A proprietor of a business for the collection of parcels and goods in a defined area for a larger carrier, e.g. a railway or steamship company.

**Gilt-edged Securities.** Securities of the highest order, and which are considered to be absolutely safe.

**Goodwill.** The probability that the old customers will continue to patronize the same place despite a change of ownership.

**Goods Agent.** One who has entire charge of a railway goods station or depot. He controls the staff, directs district canvassing agents, and supervises generally the work of the canvassers, goods foremen, checkers, office men, and loaders.

**Goods Manager.** A person who is responsible for the relations of a railway company to the trading community for the solicitation of business; for the classification of goods traffic, and for the investigation and settlement of claims arising in connection therewith.

**Grey Warehouseman.** The foreman of a grey room, in which grey (unbleached) cloth is received. He receives the cloth, marks it according to finishing operations to be performed on it, and passes it to the great cloth sewers and other workers with directions for treatment.

**Gross Profit.** The difference between the cost price of goods to the merchant and the price at which he sells the goods to the customer. In manufacturing

concerns it is the difference between the cost of production to the manufacturer and the selling price to the customer. The cost of production is comprised of the cost of the raw material and carriage, and the cost of labour and motive power expended in the production.

**Haulier.** A person who drives a horse-drawn vehicle used for haulage, either on his own account or for an employer.

**Hawker.** One who sells common commodities, such as fruit, vegetables, fish, matches, or other wares, by crying them in the street or by calling from house to house. He requires a licence under the Hawkers Act, 1888, if travelling with a horse or other beast bearing or drawing a burden, and selling the goods anywhere than in a public mart or fair.

**Higgler.** A person who purchases poultry, eggs, and dairy produce in country districts from farmers, and sells them to the wholesaler, retailer, or consumer.

**Hop Merchant.** A wholesale dealer who buys hops from the grower or from other merchants and sells to other merchants or retailers.

**Importer.** One who buys, either direct or through agents, raw material, produce or manufactured goods, from colonial and foreign markets, and sells to home merchants, manufacturers, or retailers. He may transport the goods in his own vessels and handle the goods in his own warehouse; or operate through the office only, storing the goods in a public warehouse, packing and dispatching being done by wharfingers.

**Inscribed Stock.** Stock for which no actual certificates are granted to the holders, but their names and the amount of stock they hold are inscribed in a register kept for the purpose.

**Inspector of Branches.** One who pays regular and surprise visits to the branch shops of a multiple shop concern. He examines the books, method of working, discipline, etc., and reports to the firm's headquarters.

**Interim Dividends.** Dividends declared before the final amount of the profits of an undertaking for any period has been declared.

**Intermediary.** A person who brings buyers and sellers, producers and consumers, together by acting as an agent through whose hands the goods can pass. In so far as these classes can come into contact without his aid, the intermediary is unnecessary and should be dispensed with, since his commission must raise the price.

**Italian Warehouse.** A retail shopkeeper who sells edible oils, sauces, macaroni, preserved foodstuffs, etc., especially those of foreign origin.

**Jobber.** An alternative name for "dealer" on the Stock Exchange. A jobber deals with other members, but not with the public. The term is also applied to a person who buys job lots of goods (bankrupt or salvage stocks) and sells to retailers or direct to the public.

**Joint Venture.** A temporary association of two or more persons with the object of engaging in a common venture. The parties agree to contribute certain specified amounts of capital, and to share profits and losses in the same manner or in any other equitable proportions.

**Lame Duck.** A market operator who is obliged to obtain assistance to meet his bargains to avoid becoming a defaulter.

**Letter of Credit.** A document issued by a banker, authorizing the banker to whom it is addressed to honour the cheques of the person named to the extent of a certain amount, and to charge the sum to the account of the grantor.

**Lien.** The right of a person who has possession of the goods of another to retain such possession until a debt due to him has been discharged.

**Lighterage.** The cost of the conveyance of goods in a lighter or barge.

**Limit.** A client often fixes a "limit" beyond which the broker shall not go in buying or selling on his behalf.

**Long Exchange.** The price of a bill payable at a certain length of time, generally three months or more after date of purchase. The long rate in

foreign exchange will equal the sight rate plus three months' interest at the foreign rate, cost of foreign stamps and certain allowances for contingencies.

**Malster.** One who loads malt into a kiln, spreads it out to required depth on the asbestos floor of the kiln, and turns it over from time to time to prevent "growing." He also takes in sacks of barley into the malthouse and stacks them.

**Manchester Agent.** An agent acting for manufacturers of Manchester goods, e.g. cotton goods made in Manchester and district.

**Manufacturers' Agent.** An agent acting, not in his own name, but in the name of his principal on whose behalf he enters into dealings with suppliers or customers.

**Market Gardener.** A small farmer who cultivates vegetables, flowers, and fruit for the market. He attends at markets for the sale of the produce when neither salesman nor commission agent is employed.

**Mercer.** One who deals wholesale or retail in textile fabrics—silk, woollens, etc.

**Merchant.** A wholesaler dealer who buys goods wholesale from manufacturers or other merchants, and sells to other merchants or retailers.

**Money Changer.** A dealer who exchanges money of one country for that of another at the current rate of exchange less a small percentage as fee.

**Nominal Capital.** The amount set out in the Memorandum of Association as the maximum amount of capital which a company has power to raise.

**Official List.** Prices and other details of securities to which an official quotation has been granted. Published under the authority of the committee of the Stock Exchange.

**Order Hand.** One who assists warehousemen by getting out and putting away goods required to fulfil orders.

**Order Man.** A warehouseman who draws goods from store, makes up, packs, and dispatches them, in fulfilment of orders received through the post or firm's travellers.

**Outside Brokers.** Dealers who are not members of the Stock Exchange.

**Over Trading.** The locking up of so great a portion of the capital embarked in an undertaking that too little is left for effective use as working capital.

**Par.** The face value of a security. In the case of partly paid shares or stock, the amount paid up.

**Pedlar.** A hawker who carries a licence under the Pedlar's Act, 1871, in which he is defined as one who "without any horse or other beast bearing or drawing burden, travels and trades on foot, and goes from town to town or to other men's houses carrying to sell, or exposing for sale, any goods, wares, or merchandise immediately to be delivered, or selling or offering for sale his skill in 'handicraft'"; no licence is required if goods are sold in any public mart or fair, or if goods consist of vegetables, fish, fruit, or victuals.

**Preference Shares.** Shares entitled to definite preferential rights as to dividend, which is often cumulative, and in other ways, such as preference in repayment of capital.

**Premium.** When securities are quoted above parity they are said to be at a premium. Shares may be issued at a premium.

**Put Option.** The right on payment of a premium to sell at a specified price at a definite time, if desirous of so doing.

**Quotation.** A statement of prices given by a manufacturer, trader, broker, or other person to an intending customer.

**Racking.** The transference of wine and spirits from one cask to another.

**Reserves.** Profits or other assets kept in the business undistributed, to strengthen a company's position and to safeguard an enterprise from loss in various ways.

**Retail Dealer.** A general term for one who buys goods wholesale from manufacturer, merchant, or importer, and sells them direct to the consumer from office, shop, or warehouse.

**Retail Trader.** The trader who enters into direct contact with the individual consumer and sells his goods in small quantities. He is the last link in the economic chain between producer and consumer. The small scale undertaking is predominant in the retail trade, but where the market area is extensive, large-scale undertakings have developed.

**Ring.** A combination formed for the purpose of withholding the supplies of a commodity with a view to forcing up the prices. The operations of the ring are known as "Cornering" the market.

**Sales Manager.** The person in charge of the sales department of a firm, who controls and instructs the commercial travellers. He also organizes the advertising and his firm's displays at trade or other exhibitions; conducts correspondence on matters connected with sales, interviews prospective buyers.

**Scrip.** A document giving title to securities not fully paid up. It is a form of preliminary certificate.

**Shipping Clerk.** One who deals with Customs and has a knowledge of the consular requirements of foreign countries. He deals with bills of lading, insurance, ocean freights, and rail rates, way bills, carting and lighterage, dock charges, and, in a small firm, would also make out accounts for charges incurred.

**Shopkeeper.** One who usually himself supervises the conduct of a business, distributing commodities direct to consumers. He purchases the goods from importers, wholesalers, manufacturers, or producers, and sells the goods to consumers from his shop. He utilizes the shop windows as a means of displaying goods to the public, and may employ a specialist to dress the windows.

**Sinking Fund.** Amounts set aside out of revenue and separately invested for redemption of loans, or to provide for expiration of leases, etc.

**Stag.** A person who applies for new issues intending to sell immediately a satisfactory premium is established.

**Stock-in-Trade.** The name commonly used to denote the goods in stock, and the fittings, machinery, tools, and other appliances used to carry on any trade.

**Stock-keeper.** A warehouseman who keeps the stock-book, showing the amount of stock (as distinguished from stores) and quantities of goods passing through the warehouse or stock-room. He checks the stock-book periodically against the stock in hand.

**Stock-taker.** A person who makes a periodical inventory of the stock of goods in a shop or warehouse, or of raw material in a factory.

**Stock-taking.** The periodical valuation of all goods on hand, so that they may be taken into account when balancing the books.

**Stock Broker.** One who conducts the purchase, sale, and transfer of stocks and shares in public funds and private companies, on behalf of the public, receiving a commission for his services.

**Stock Exchange Clerk.** One who performs clerical work in connection with the Stock Exchange, either as an authorized or unauthorized clerk.

**Stock Jobber.** One who deals in stocks and shares on the floor of the Stock Exchange to meet the requirements of stock brokers; he does not do business with the public, and is always a member of the Stock Exchange.

**Storekeeper.** One who maintains, records, and issues as required, stores, i.e. raw or semi-manufactured materials, tools, fuel, spare parts, or other articles required for use in production or repair, as distinguished from stocks of finished articles.

**Trade Mark.** A particular mark, stamp, or device used upon or in connection with goods to show that the goods are those of a particular manufacturer or trader. As soon as a trade mark is registered it is protected by law, and the proprietor has a right to the exclusive use of it for fourteen years, with the right to renewals of the term.

**Trustee Stocks.** The Trustee Act authorizes trustees to invest in certain securities of a gilt-edged character, which are known on the Stock Exchange as Trustee Stocks. Trustees are responsible for maintaining the capital of beneficiaries, and certain Government and municipal stocks must not be purchased if the price is more than 15 per cent over par.

**Trusts.** Associations of business firms and of joint-stock companies whose object is to check competition and to regulate production and prices. They are sometimes known as vertical combinations, because they endeavour to control the various stages of production from the extraction of the product to its delivery to the final consumer.

**Turn.** This term is usually understood as meaning the difference between the price a Stock Exchange jobber is prepared to sell and that at which he is prepared to buy. This difference represents the jobber's profit, and is the "turn of the market."

**Turnover.** The amount of goods sold during a given trading period, calculated at cost price, i.e. stock at the beginning of the period plus purchases during the period, less stock at the end of the period.

**Ullage.** The difference between the full capacity and the actual contents of a cask.

**Unauthorized Clerk.** A clerk employed by a stock jobber or a stock broker, who is a member of the Stock Exchange. He works in the Stock Exchange building by permission of the Stock Exchange Committee; he is mainly engaged in watching changes in price lists for his principals and their authorized clerks, and in answering inquiries to relieve his principals. He is not authorized to deal on the floor of the house.

**Underwriting.** A contract entered into by a person to take up shares in a company if the public do not apply for them within a certain time.

**Valuer.** One who makes inventories and valuations of goods, businesses, land, properties, etc., for the purposes of sale by auction or private treaty, on behalf of seller, buyer, court of law, or other interested parties. He is frequently specifically designated, e.g. agricultural valuer, brewery valuer, hotel valuer, draper's valuer, land valuer, hide and skin valuer, horse valuer.

**Vendor.** The person who sells to a newly-formed company. Usually the terms are part in cash and the remainder in shares.

**Vendor's Shares.** Vendor's shares, which sometimes represent a majority of the ordinary capital enabling the vendor to retain control, are those allotted to the vendor on conversion of the business into a public company. In such cases a quotation on the Stock Exchange may only be given to preference shares or other issues in which the public hold a majority.

**Warehouse Clerk.** A general term for any clerk employed in a warehouse, including invoice clerk, entering clerk, etc.

**Warehouse Keeper.** One who has charge of warehouse premises and is responsible for their safe custody, locking them up at night, etc. He keeps the necessary records of goods passing in and out; if under P.L.A., he furnishes statements to the collector of dues.

**Warehouseman.** A general term for any man employed in any capacity in or about a warehouse: (i) in unloading or unpacking goods, in carrying or trucking or stacking them, in moving them from place to place, in weighing them, in packing and addressing them and preparing them for dispatch, etc.; (ii) in keeping account of stock, and of goods received or dispatched, and in getting out orders; (iii) in supervising work of subordinate workers. He often also performs one or more of a great variety of other duties, according to industry or business, e.g. unpacking, preparation, and care of raw or semi-manufactured materials, and issuing them to other workers; examining finished goods, and rejecting, or sending back for correction, those that are imperfect; keeping accounts of faults in weaving; waiting upon salesmen, etc.

**Wharfage.** A charge made for landing goods on, or shipping them off, a wharf.

**Wharf Agent.** One who represents a shipping company, firm of carriers, or barge owners, on a wharf, and superintends loading of firm's ships, barges, etc.

**Wholesale Dealers.** These traders who buy large quantities of goods, and sell them to merchants for export or to wholesale warehousemen for home consumption.

**Window Dressing.** A term given to steps taken at the end of a financial year to show a strong cash position in the balance sheet.

**Wool Sampler.** A person who examines deliveries of goods at a warehouse to ensure that they are in accordance with specification. He prices goods, where qualities vary, on behalf of factor or merchant, and prepares samples for prospective purchasers.

**Wool Sorter.** A person who breaks up fleece into various qualities, according to length, soundness, and fineness of fibre. He also sorts hand-pulled skin wool.

**X.D.** A shortened method of expressing ex dividend; that is to say, that the seller retains accrued dividend.

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